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# **China Report**

**ECONOMIC AFFAIRS**

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21 December 1984

## CHINA REPORT

### ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### SHANGHAI PAPER PRESENTS ECONOMIST JIANG JUNCHEN

HK060837 Shanghai SHIJIE JINGJI DAobao in Chinese 5 Nov 84 p 7

["Chinese Economists" column by Zhou Chaoyang [0719 2600 7122]: "Jiang Junchen"]

[Excerpts] Seeking a Way to Save the Country and the People

Jiang Junchen is the advisor to and research fellow of the Economic Research Center of the State Council; advisor to the Institute of Finance, Commerce, and Commodity Economists of the Academy of Social Sciences of China; advisor to the China Commercial Economists Society; and advisor to the China Industrial Cooperation Association. Born to the family of a poor intellectual in Huashi Town, Jiangyin County, Jiangsu Province in 1904, Jiang Junchen was profoundly influenced by new culture and took part in many patriotic and democratic movements in his youth. With an outstanding matriculation record, he was admitted as a medical student into Tongji University in Shanghai in 1922. His elder brother, a doctor, hoped to open a clinic with him after his graduation. However, because Jiang Junchen took an active part in a demonstration protesting against the 30 May Incident and a campaign to ouster the chancellor of the university, he was expelled from the university. Thus, he became convinced of an idea: "It is necessary to save the nation before curing patients."

Jiang Junchen went to Guangzhou, which was then the revolutionary center of China, and joined the CYL of China in 1926. After returning to Shanghai, he entered the Shanghai University of Law to further his studies. So, he gradually acquired a more in-depth understanding of various political and economic problems. Later, he resolutely gave up the opportunity to become a lawyer but began to pursue his studies in economic science and engaged in translation, research, education, and publication, searching for the road to transform the old society and build a new society.

Jiang Junchen joined the Institute of Social Sciences of the Academia Sinica in 1931 after passing an examination. Chen Hansheng was then head of the institute.

## Joining the CPC in the Struggle Against the "Cultural Offensive"

Soon after that, Jiang Junchen joined Chen Hansheng, Qian Junrui, and Xue Muqiao in founding the "Society of Chinese Rural Economics Studies." Thus they took up the studies of the semi-colonial, semi-feudal nature of Chinese society based on data collected in real surveys. After starting the publication of the periodical ZHONGGUO NONCHUN [RURAL CHINA] in cooperation with Xue Muqiao and Wu Juenong, Jiang Junchen founded the "China Economic Information Service" together with Qian Junrui. Then, in cooperation with Xue Muqiao, Xu Xuehan, and Hua Yingzhong, Jiang Junchen organized some progressive youths with the same ideal to found the New Knowledge Bookstore. So, under the guidance of the underground party organization, the China Rural Economics Society, the China Economic Information Service (which later became the Cultural Materials Supply Center), and the New Knowledge Bookstore closely cooperated, playing their respective roles and growing side by side into a cultural trinity.

Jiang Junchen quit ZHONGGUO RIBAO [CHINA DAILY] in 1935 and took over the editorial work at the New Knowledge Bookstore and acted as the chief editor of the bimonthly XIN SHIJI [NEW CENTURY]. This journal devoted most of its pages to presenting the progress of socialist development in the Soviet Union and works by progressive writers in other countries. Many articles translated by Sun Yefang were published in XIN SHIJI. And the periodical also carried in each issue an article equivalent to an editorial. So, a group of researchers in the economic science and a few non-party progressive personages and youths united around these three cultural organizations. Under the guidance of the party's principle of struggle in the white area, they carried out dauntless struggle against the counterrevolutionary "cultural offensive" launched by Chiang Kai-shek. And it was in this turbulent period that Jiang Junchen joined the CPC.

## A Cultural Fighter in the War Against Japan

The Shanghai Editor's Association headed by Xie Liuyi and Zhou Jianren was founded in 1937. This association was an organization affiliated to the Shanghai Cultural Circles' National Salvation Federation. Jiang Junchen, as the responsible person of the party branch in the association, took up the editorial work of the 10-day periodical WENHUA ZHANXIAN [CULTURAL FRONT], which called for a nationwide general mobilization and an all-round war against Japan in accordance with the party's principle on the solution to the "Xian Incident." In late 1937, Jiang Junchen transferred to Guangzhou to take up the post of chief editor of XIN ZHANXIAN [NEW FRONT] and later to Guilin to assume the post of chief editor of ZHONGGUO NONGCHUN to continue its publication during wartime.

After the signing of the "10 October Agreement," Jiang Junchen took up the post of deputy chief editor of JIEFANG SANRI KAN [LIBERATION 3-DAY JOURNAL] in Beiping according to the party's instruction. During this period, Qian Junrui and Jiang Junchen were jailed for a while. They were released only after the Beiping military mediation office made representations to the authorities concerned. The periodical was forced to close soon after that.

## Indomitably Carrying on the Party's Theoretical Research

When in charge of the editorial work of the special war-time issue of ZHONGGUO NONGCHUN, Jiang Junchen took part in the cadre training work at the Guangxi School for Local Construction Cadres. The training program was virtually carried out under the party's leadership. He later compiled the draft of his lectures into a book under the title of "Introduction to Sociology," which was published by the Cultural Supply Service in Guilin and reprinted twice in Hong Kong.

Jiang Junchen arrived at the encampment of the New Fourth Army in north Jiangsu Province to take up the post of full-time research fellow in the research office of the CPC Central China Bureau. He was appointed deputy head of the department of Finance and Economics of Yanan University.

Jiang Junchen attended the 7th CPC National Congress as an alternate delegate in 1945.

The next year he went to Jiamusi in the rear area of the northeast liberation zone to assist Zhang Ruxin in preparing for the establishment of the Northeast University. In order to keep up with the new situation prior to the liberation of the whole northeast, stress was placed on short-term training for cadres as far as education was concerned. So the party organization decided to set up a Northeast Financial and Economic Cadre Training School in Harbin. Jiang Junchen was appointed deputy principal in charge of the actual administration of this school.

## Responsibility for Planning and Administering Studies in Social Science

After the liberation of the northeast and the whole country, Jiang was appointed deputy director of the general supply and marketing cooperative of the northeast, deputy director of the national supply and marketing cooperative of China, and to other leading posts. Being in charge of economic work for a long period of time, he summed up the advanced experiences of many supply and marketing cooperatives and made an effort to popularize them throughout the country and concentrated his attention on the study of the problem of how to bring agricultural production under collective ownership onto the track of the planned economy. Based on the experience summed up from some typical cases, he headed a group to compile "Introduction to the Combined Contract System," a brochure written to cater to the needs of the peasants and supply and marketing cooperative cadres at the grassroots level. He also published a few theses with high theoretical standard and practical value.

After 1957, Jiang Junchen held the leading posts of deputy secretary general of the scientific planning committee of the State Council, deputy director of the division of philosophy and social sciences of the Chinese Academy of Sciences, and so on, and was in charge of the planning and administration of studies in social sciences. He was a member of the leading group in charge of the drafting of the 12-year plan for research in philosophy and social sciences and his working experience was useful



to the improvement of the planning and administration of the study of social sciences in the country. He also took part in supervising various departments of the State Council in compiling the record of all the achievements made in the first 10 years after the founding of the PRC, thus making his due contribution to the summing up of our country's experience in socialist economic construction in the period. He was one of the principal organizers of the symposium on economic theories held in Shanghai in April 1959. Through discussion on socialist commodity production and on the principle of distribution according to work, this symposium played an important role in countering "leftist" influence.

#### Still Active in Scientific Studies Despite His Advanced Age of 80

Like many old experts, Jiang Junchen was persecuted in the 10 years of turmoil. As soon as he resumed his posts after the smashing of the "gang of four," he went to Sichuan, Guangdong, and other provinces to make a thorough survey of the production and marketing of silk and silk cloth. In his survey report, he called for attention to scientific silkworm breeding and quality control and urged the departments concerned to vigorously open up to the world market while ensuring supply to the domestic market, to set up specialized silk companies, and so on. His proposals have drawn the attention of the authorities.

Based on his study of our country's financial, trade, and economic work in the past 3 decades, Jiang Junchen has concentrated his attention in the past few years on the study of commodity circulation, the reform in the rural commodity circulation system, the nature of supply and marketing cooperatives in rural areas, regulative role of the state plan, regulative function of the market mechanism, and other problems, and has published quite a few weighty theses. Jiang Junchen holds that it is necessary to proceed from the basic laws of socialist economy in both the study of production, distribution, exchange, and consumption and that of the readjustment of the ratio between different sectors in the national economy and the reform of the economic administrative structure. To be sure, the economy is subject to restriction by many laws under the socialist economic system. As the social economic situation is changing and developing, a law may predominate for some time and another law may predominate afterward. In light of the general development trend, however, all development and changes cannot go beyond the basic laws of the socialist economy. Therefore, only the basic laws of the socialist economy, among various socialist economic laws, play the leading role. At the same time, socialism is also facing the challenge by capitalism. It is necessary to promote competition as well as cooperation in developing the socialist planned economy and the socialist commodity economy. This requires us to act according to the basic laws of the socialist economy and forge ahead along the socialist road.

## NATIONAL POLICY AND ISSUES

### XUE MUQIAO REVIEWS HIS WORK IN ECONOMICS

HK280823 Shanghai SHIJIE JINGJI DAobao in Chinese 5 Nov 84 p 2

[Article by Xue Muqiao [5641 2550 2890]: "Hopes Are Placed on Young and Middle-aged Theoretical Workers in Economics"]

[Text] Over the past 50 years, I have written many articles and given many lectures, and have also done some economic work, but all this was something that a Communist Party member should do. When reviewing these things, I find that the articles and lectures were no more than reflections of the trends in those years, or they just kept pace with the trends of the times without falling behind. I have not created anything new, nor did my work show any foresight. So there is nothing worthy of your congratulations.

There are a few reasons my previous works could keep pace with the trends of the times: First, I could work under the guidance of the party. Since I joined the revolution in 1927, I have been guided by the party all the way. Although I had just read a few pamphlets such as "ABC of Communism" when I began my revolutionary work, I believed in the party and had profound faith in Marxism. In June 1927, when I was arrested, I began to study some books about Marxist political economy in prison. After being set free, I had an opportunity to read such classic works as "Manifesto of the Communist Party" and "State and Revolution" by Marx and Lenin at the Research Institute of Social Science in the Central Research Academy. Because of Marxist education and the party's guidance when I worked in Shanghai, Wuhan, and Changsha, I could avoid committing mistakes, especially major mistakes, in my work.

Second, I was transferred to work in the party central organs in the winter of 1948. From then, I worked directly under the guidance of Comrades Liu Shaoqi, Zhou Enlai, Chen Yun, Li Fuchun, Li Xiannian, and Bo Yibo. Now I work under the leadership of Comrade Zhao Ziyang and other central comrades and often benefit from their instructions. In particular, Comrade Zhou Enlai and Chen Yun have given me the greatest help. When writing articles in that period, because of the kind guidance of the above-mentioned comrades, I could avoid committing major mistakes. When I worked in Shandong, and especially after I was transferred to the party central organs, I was engaged in economic work. This enabled me to write things



that linked theory with practice. If the party central leadership had not given me such a good opportunity, how could I have gained valuable practical experience?

In the past, I had only two opportunities to study theory through systematic reading. The first was the period of imprisonment between 1927 and 1930, during which I studied political economy and read many other books. When visiting the United States in 1979, I told some American professors that I had graduated from a "prison university." This greatly surprised them.

The second opportunity came during the "Cultural Revolution," when I was forced to "stand aside." Making use of the remaining time after the "struggle meetings" and "corrective labor" in the "cowshed" and the "May 7 cadre school," I read through "Das Kapital," "Selected Works of Marx and Engels," and "Selected Works of Lenin," and wrote the first to sixth drafts of my book "Study of China's Socialist Economy." However, the early drafts of the book were certainly limited by the conditions in those days. The final draft was completed in the winter of 1978, after the 3d Plenary Session of the 11th CPC Central Committee. Then the book was revised twice. It was written under the guidance of the spirit of the third plenary session and the principle of seeking truth from facts and linking theory with practice, as advocated by Comrades Deng Xiaoping and Hu Yaobang. So it should not be considered as my personal work; rather, it is a product of the times. Since the 3d Plenary Session of the 12th CPC Central Committee, many new theories and practices have appeared. That book of mine will soon become outdated. In 2 or 3 years' time I will rewrite it in accordance with the new theory and practice.

In the coming years, I will continue to submit some suggestions and ideas, within my ability, to the party central leadership and the State Council through the Economic Research Center and other channels, and will do some explanatory work among the masses on the basis of our previous experience. On account of age I will not be able to make in-depth investigations in practical economic work, so I often say that I can only make use of my past experience. However, many historical experiences have yet to be summed up. I believe that I may continue to play a small role in studying historical experiences in connection with the present situation.

Today, many outstanding young and middle-aged comrades engaged in economic studies are attending this meeting, and there are many more such comrades in their thousands who cannot attend today's meeting. We people of the older generation have placed all our hopes on them, and hope that they will make joint efforts for the four modernizations.

CSO: 4006/143

## PROVINCIAL AFFAIRS

### SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY DISCUSSED

Harbin FENDOU [STRUGGLE] in Chinese No 9, Sep 84 pp 4-5

[Article by Zhang Daben [1728 1129 2609], Chief of Provincial Tax Bureau: "Several Problems in the Second Step of Reform Through Substitution of Tax Payment for Profit Delivery"]

[Text] The state has decided that beginning 1 October this year, the second step of the reform, namely, having every enterprise pay taxes to the state instead of delivering profits, will become effective. This is a crucial measure in restructuring the urban economy. Conscientious implementation of this important policy decision of the central authorities is of profound and far-reaching significance in accelerating the reform in urban areas, promoting national economic development, and speeding up the four modernizations. The second step of substituting tax payment for profit delivery not only has a direct bearing on the relations of distribution between the state and the enterprises and on the economic results, but also helps mobilize the initiative of the enterprise and its workers. The key to success in this reform is for us to enhance our consciousness, unify our thinking, and thoroughly understand the objective as well as the great significance of the second step of substitution of tax payment for profit delivery. We must also be better aware of the urgent need for this step so that we can be truly at the forefront of this reform, cooperate closely with one another, and accomplish this task in a down-to-earth manner.

Why is the second step in the reform through the substitution of tax payment for profit delivery necessary? This is a matter of great concern to all localities, departments and enterprises. The state is making an all-out effort in taking this step to let the enterprises operate independently and assume sole responsibility for their own profits and losses as soon as possible, and to give them the "10 major autonomous rights." This is a policy decision based on the summation of the experiences in the first step of the reform and after careful consideration and repeated deliberations. It is consistent with the actual conditions of our national economic development. The first step of the reform taken in 1983 among the state-run enterprises has been a great success in stabilizing state revenues, correctly handling the interests of the state, the enterprises and the individuals, expanding the enterprises' financial power, and mobilizing the initiative of the enterprises and their workers. In the same year that this

first step was taken, the profits of those enterprises which had substituted tax payment for profit delivery, calculated according to comparable data, were increased by 110 million yuan, of which the state obtained 64.8 percent; the enterprises, 21.4 percent; and the workers, 13.8 percent. Thus the principle that the state should receive the largest share first and the enterprise should retain the major part of the rest with the net remainder going to the workers, was carried out in practice with good results. However, the first step of the reform was not good enough mainly because of the rather small number of tax categories which made it difficult for taxes to play their full role as an economic lever. The methods of distributing after-tax profits were also very complex and the relations of distribution between the state and the enterprises were not well defined. Furthermore, the problems of differences in profit retention were not satisfactorily solved.

The main substance of the second step of the reform through the substitution of tax payment for profit delivery is that the revenues which the enterprises should turn over to the state should be in the form of 11 different categories of taxes, and that the after-tax profits should be at the disposal of the enterprises themselves. In other words, the first step, characterized by both taxation and profit sharing, has gradually evolved into the second step when profit delivery will be completely replaced by tax payment. The method of replacing profit delivery with tax payment is carried out by dividing the current industrial and commercial taxes into four categories, namely, product tax, value-added tax, business tax and salt tax, according to their characteristics. Resource taxes will be levied on mining and tunneling enterprises, income taxes on the state run enterprises making profits, and regulation taxes on the large and medium-size state-run enterprises. The system of "substituting tax payment for profit delivery" will be enforced in the second step of the reform after a rational readjustment of tax rates and a suitable increase in the tax categories. Thus the relationship between the state and the enterprises in financial distribution will be fixed by laws and decrees. It will guarantee a steady increase in state revenues along with economic development, and help preserve the legitimate rights and interests of the enterprises and increase the incentive for them to achieve better economic results by making better use of their decisionmaking power and by improving their management and operation. The creation of new taxes and the readjustment of tax rates and methods of taxation have to a certain extent alleviated the contradictions arising from the current irrational price system, and the enterprises will be able to compete with one another under generally equitable conditions. This competition will encourage the advanced units and spur on the backward ones. At the same time, since the enterprises will no longer turn over their profits to the administrative units to which they belong after the second step of the reform, better economic relations will develop between departments and regions and between the central and the local authorities, thus creating the conditions for further restructuring the financial system. On the whole, the second step of the reform, compared with the first step, is a forward step in breadth or in depth, and certainly a significant step in accelerating the restructuring of the urban economy.

Some departments and enterprises feel that the reform through the substitution of tax payment for profit delivery concerns only the finance departments. This view is obviously wrong. The second step of the reform is not only a major reform of the financial and taxation system, but also an important economic reform. It marks an important breakthrough in the urban reform. At present, the central task of urban economic reform is the solution of two "big pot" problems. In other words, we must see to it that the enterprises will not eat from the "big pot" of the state and the employees will not eat from the "big pot" of the enterprises. In taking this second step, while streamlining the relations of distribution between the state and the enterprises, the state also further expands the decision-making power of the enterprises and enforces the policy of "imposing no ceiling or lower limit" for the workers' bonuses, and at the same time streamlines the relations of distribution between the enterprises and their workers. For all these measures, we should realize that the substitution of tax payment for profit delivery is a prerequisite. Unless there is a breakthrough at this link, the relations of distribution between the state and the enterprises cannot be stabilized and the expansion of decisionmaking power for enterprises can hardly materialize. Similarly, if the relations of distribution between the state and the enterprises are not streamlined, the policy of imposing no ceiling for bonuses can hardly be implemented. That is why the second step of the reform is essentially aimed at solving the problem of eating from two "big pots" and creating the necessary conditions for a series of reforms in the urban economy. Therefore, we can say that the basic aim of substituting tax payment for profit delivery is to bring into play the role of taxes as an economic lever, to fully mobilize the initiative of the enterprises and workers, and to accelerate the reform of the urban economy.

Some enterprises and a small number of people worry that with the increase in the number of tax categories after the second step of the reform, the profits to be retained by the enterprises will be reduced, meaning a reduction of their income. This worry is in fact unnecessary. The primary purpose of substituting tax payment for profit delivery is not to reduce the enterprises' benefits, but rather to mobilize the initiative of the enterprises and workers and to give the enterprises more reserve strength. It is true that the second step of the reform has created more tax categories, but these new taxes are not indiscriminately levied from everyone. For example, the resource tax is levied only on those state-run enterprises undertaking the exploitation of crude oil, natural gas, coal and metal resources. In the case of our province, apart from Daqing which produces petroleum and natural gas and has to pay taxes according to state regulations, small coal mines need to pay only 50 percent of such taxes while other trades are exempted for the time being. Again, in the case of business tax on commercial wholesales, only petroleum, hardware, the means of transportation, and chemical products are taxable for the time being. The regulation tax rate has also been set in the spirit of allowing reasonable profit retention, since it takes 1983 as the base and varies according to the different conditions of different enterprises. To provide reserve strength for the enterprises, the regulation tax on the enterprises'



increased profits in future will be reduced, from the original 60 percent reduction to a 70 percent reduction. The method of calculation is also changed from that of "chain index" to that of "fixed base index" which will remain unchanged for 7 years. Thus the better the performances of the enterprises, the greater will be their benefits. This will provide more reserve strength to the enterprises.

Some enterprises have complained that just as the need for "loosening the grip" on the enterprises is stressed, the second step of substituting tax payment for profit delivery is again tightening it. This shows that some comrades still do not clearly understand and cannot accurately interpret the relationship between "loosening the grip" and the substitution of tax payment for profit delivery. We must realize that substituting tax payment for profit delivery itself is a reform measure for "loosening the grip," and is identical in spirit with the expansion of decisionmaking power for enterprises. An important guiding idea behind the second step of the reform is to give the enterprises certain financial resources and decision-making power in their operation and management and in their expansion. As a policy, it also gives the enterprises confidence in a promising future and their greater reserve strength. Therefore, in working out the tax system, tax methods and tax rates, aside from adhering to the principle that "the state should receive the largest share of profits," full consideration has been given to the principle that "the enterprise should retain the major part of the rest." After the second step of the reform, the relations of distribution between the state and the enterprises has been stabilized, and there will be certain financial resources with which the enterprises can fully exercise their decisionmaking power and gain more benefits than before through their own efforts. Furthermore, according to the program of reform this time, the policies are more flexible as shown by the flexible standards of classifying small enterprises, the readjusted rates of progressive taxes on eight grades of surpluses and so forth. Therefore, the view that substituting tax payment for profit delivery is inconsistent with "loosening the grip" is obviously erroneous. In fact, as long as we follow the program of the second step of the reform, we will be able to solve satisfactorily the problems brought about by the enterprises eating from the "big pot" of the state and by the employees eating from the "big pot" of the enterprises, and will give a strong impetus to the enterprises in improving their economic results.

The second step of the reform involves a wider area and more significant policy issues than the first step did, and more problems of understanding, policy and actual economic benefits will be encountered. This calls for the efforts of our tax departments in delving into realities, investigating the new developments and studying and solving new problems. Such matters as ascertaining the tax-paying units, determining the regulation tax and the amounts to be paid in contracting for the operation of small enterprises, contracted work of various types, the methods of contracting and their coordination with the second step of the reform, the sources of funds for the enterprises' technical transformation, the social burden of enterprises

and so forth, which may affect the policies, have been clearly dealt within state regulations. However, in view of the numerous different conditions in the localities, departments and enterprises, we can only proceed from realities and seek truth from facts in solving each of these problems in a rational way. The task for the tax departments will be more arduous and their responsibility will be heavier after the second step of the reform. Under the leadership of the party committees and governments at all levels, we must make great efforts to improve ourselves by enhancing our political consciousness and vocational competence, and at the same time take the initiative of coordinating with the departments concerned and strengthening our financial and tax cooperation. In our work, we must gradually change our old practice in order to suit the new developments of the economic reform and to guarantee the smooth progress of the second step of the reform according to schedule.

9411

CSO: 4006/33

## PROVINCIAL AFFAIRS

### JILIN'S 'OPEN DOOR' SUCCESSES DISCUSSED

OW251116 Beijing XINHUA in English 0903 GMT 25 Nov 84

[Text] Changchun, November 25 (XINHUA)--Jilin Province in northeast China has opened its door to both foreign investors and domestic partners, bringing its economy onto the track of dynamic development.

According to local authorities, the province has since the beginning of this year concluded 1,224 economic and technical cooperation projects with 17 other provinces, municipalities and autonomous regions. In addition, it has signed contracts with foreign firms for establishing 43 joint ventures and cooperative undertakings.

This year, the province has attracted 262.71 million yuan of investment from other provinces and foreign countries and imported 521 items of advanced technology.

Factories and companies there have been encouraged to establish ties with their counterparts in other parts of the country. The cooperation covers almost all the fields including industry, agriculture, communications, commerce, science and technology research, culture and education.

The province has also formulated a series of policies to grant preferential treatment with regard to the establishment of joint ventures and cooperative enterprises, introduction of advanced technology, appointment of experts and exchange of information to encourage other provinces and foreign firms to undertake development projects in the province.

The province, which used to pursue a closed-door policy of economic development, has now established economic and trade ties with 87 countries and regions and the partnership relationship with 52 large and medium-sized cities within China to engage in various forms of cooperation.

CSO: 4020/44

## PROVINCIAL AFFAIRS

### QINGHAI HOLDS FORUM ON URBAN ECONOMIC REFORM

HK060214 Xining Qinghai Provincial Service in Mandarin 1100 GMT 4 Dec 84

[Text] According to QINGHAI RIBAO, the provincial Economic Association, the provincial Research Institute for Capital Theory, and the provincial news office of GUANGMING RIBAO jointly held a provincial academic forum in Xining recently on urban economic structural reform.

At the forum, more than 130 economic theoretical workers and workers who carry out practical economic work seriously studied and gained an understanding on the decision of the 3d Plenary Session of the 12th CPC Central Committee. Proceeding from reality, the participants discussed the theoretical problems in the implementation of the province's urban economic structural reform. They also proposed some specific suggestions for practical work. These suggestions are:

First, on reform in industrial and commercial enterprises, the comrades held that the state should leave maneuvering room for the enterprises when assigning them the mandatory planning. Small enterprises owned by the whole people may be supervised through various methods such as being owned by the whole people, being operated by collectives, delivering taxes to the state, and taking sole responsibility for profits or losses. In addition, the state should supervise enterprises owned by the collectives in connection with the relevant regulations. Workers of industrial and commercial enterprises who want to change their enterprises to collectively owned ones may do so upon approval. Furthermore, they should repay the fixed capital to the state in installments, based on the market price.

Second, we should carry out the province's urban economic structural reform in accordance with the province's actual conditions. The comrades said: The province is a region which has its own nationality economic characteristics. When developing the advantages of energy resources and animal husbandry, we should also grasp well agriculture in the light of actual conditions. This is a factor on which the urban economic structural reform depends.

Third, in regard to reform of the personnel system of the workers, the comrades said: The reform of the personnel system of the workers is of vital importance. We should establish links for exchanging information on



personnel matters, use computers to help collect data on the province's qualified personnel at middle and senior levels, and establish files on assessment system, and professional codes for different levels. As for recruiting professional and technical staff, we should implement the contract system. We should also invite experts, scholars, and engineers both at home and abroad to introduce new knowledge to the province. We must also strengthen the training of administrative personnel, particularly of minority nationalities. The enterprises should have the power to recruit technical and administrative staff in connection with the requirements of production and administration, as well as the power to negotiate and make decisions on investments.

CSO: 4006/143

## PROVINCIAL AFFAIRS

### SHANDONG HOLDS FORUM ON DEVELOPMENT OF ISLANDS

SK070421 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Dec 84

[Excerpts] The provincial forum on the work of islands sponsored by the provincial CPC Committee and government was held in Changdao County from 30 November to 3 December. The participants conscientiously discussed ways to accelerate development and construction of the province's offshore islands, summed up and exchanged experiences, and formulated corresponding policies and measures.

Comrade Li Changan, deputy secretary of the provincial CPC Committee, attended and addressed the forum.

In his speech, Comrade Li Changan said: Development and construction of islands is a strategic task facing us. It has an important economic and political significance, and also a bearing on the overall fulfillment of the requirement for emancipating the mind, carrying out reform bravely, achieving the 100-percent-increase target ahead of schedule, and prospering the people and developing Shandong as set forth by the provincial CPC Committee. Leading persons at all levels should enhance understanding, strengthen leadership, relax policies, rely on the masses, work strenuously, fully develop marine resources and adopt advanced science and technology in order to turn islands into important fishery production bases, famous tourist and recuperation areas, and impregnable outpost of coastal defense. Provincial organs should serve and work in the island constructions by publicizing and being in charge of them. We should add to our achievements, expose contradictions, emancipate our minds, be brave in reform, strengthen the unity between the army and the people, and strive to develop and construct islands successfully.

The forum pointed out: Due to the long-term leftist influence and the practice of taking grain as the key link, we failed to understand the situations of islands in the past, and lacked full estimation of their characteristics and resources. We gave guidance to the work on islands with the policies for land. When we learned from Dazhai and developed terraced fields, on land, we also opened up terraced fields on islands, thus damaging the ecological balance and bringing great difficulties to the daily lives and work of the people on islands.

In view of such problems, the participants to the forum earnestly discussed the summary of the forum on the work of islands. They held: In the future, in carrying out the work of islands, we should further correct the guiding ideology, thoroughly eradicate the leftist influence, persistently proceed from the reality of islands, and adopt the policy of emphasizing fisheries while developing diversified undertakings. In developing fisheries, we should develop fishing and breeding simultaneously. We should vigorously develop deep-sea fishing and breed aquatic products in shallow seas, greatly expand aquatic product storage, processing and transport and sales undertakings, and develop township enterprises aiming at serving fisheries. We should also actively develop forestry, animal husbandry and sideline production and, where conditions permit, tourism and service trades.

The participants also held conscientious discussions on such issues as production and construction on islands, circulation of aquatic products, transportation, postal and telecommunications, science, education, culture, public health, newspaper and journal publications, broadcast, building of party organizations, and training of talented personnel. They offered many good opinions and suggestions.

CSO: 4006/143

## PROVINCIAL AFFAIRS

### CPC COMMITTEE SESSION DISCUSSES REFORMS

HK060400 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 4 Dec 84

[Text] The second enlarged plenary session of the Fourth Hubei Provincial CPC Committee was held in Wuhan from 26 November to 4 December. The key items on the agenda of the session were to relay, study, and implement the spirit of the 3d Plenary Session of the 12th CPC Central Committee, to deeply understand the Decision of the CPC Central Committee on Reform of the Economic Structure, to study and arrange our province's all-round economic structural reform with the focus on the urban areas, and to discuss, in light of the actual situation, and revise the documents on the initial implementation of the decision, and arrange the work of party rectification and the work for this winter and next spring. The session was carried out in a fully democratic manner. All the participants spoke their minds freely and this filled the session with a lively atmosphere.

Attending the session were members and alternate members of the provincial CPC Committee, members of the provincial Advisory Committee, responsible comrades of the provincial Discipline Inspection Committee, principle responsible comrades of the provincial military district and the subdistricts under the district, and of various prefectures, cities and counties, principle responsible persons of the various organizations directly under the provincial authorities, large enterprises and institutes, universities, colleges and scientific research institutes, members and alternate members of the CPC Central Committee who are in Hubei, members of the CPC Central Advisory Commission who are in Hubei, and responsible persons of the liaison group of the Guidance Commission for Party Rectification of the CPC Central Committee. Guan Guangfu, Wang Quanguo, Huang Zhizhen, Shen Yinluo, Wang Qun, Qian Yunlu, Han Ningfu, Li Jun, Wang Ruisheng, Li Haizhong, Liu Qizhi, and Zhou Huanzhong, responsible comrades of the provincial CPC Committee, attended the session. Comrade Guan Guangfu gave a concluding speech.

The comrades attending the session unanimously support the decision of the CPC Central Committee and understand the essential spirit of the decision closely in light of reality and in an all-round manner. They all held that the decision adheres to integrating the basic principles of Marxism with China's practices and is a Chinese version of socialist political economy. It has creatively answered a series of major questions

concerning our theory, principles and policies, broken with outdated concepts and rigid patterns that have fettered people's minds for a long time, and is a programmatic document that guides our country's economic structural reform.

Many comrades happily said: With this document in our hands, we have had further clarified the orientation, nature, tasks and various basic principles and policies of the reform and have become full of confidence in striving for an all-round victory in the reform.

The comrades who attended the session also conscientiously discussed the documents that the provincial CPC Committee and government have drafted on the initial implementation of the decision of the CPC Central Committee and the documents concerning the work of the second stage of party rectification. They took the floor one after another to freely air their various views and put forth quite a few constructive opinions on these documents. The Standing Committee of the provincial CPC Committee will pool all these opinions and revise, finalize, and issue these documents as soon as possible.

The session stressed that at present, deeply studying and understanding the spirit of the decision of the CPC Central Committee is a task of top priority. Whether or not one can deeply understand the spirit of the decision of the CPC Central Committee and creatively implement it in his actual work is a criterion to judge whether or not a party member, particularly party member leading cadres, can maintain ideological and political unity with the CPC Central Committee.

The session pointed out that we must grasp in an all-round manner the basic spirit of the decision of the CPC Central Committee, understand from a theoretical plane in what aspects the decision has developed Marxism, clarifies from the point of view of its economic pattern, the basic characteristics of socialism with Chinese characteristics, and study measures to implement the decision from the point of view of regarding it as a program of reform. In studying the decision of the CPC Central Committee, we should closely link with reality, deepen the elimination of leftism, and make efforts to break outdated concepts and rigid patterns. In the process of implementing the decision of the CPC Central Committee, we should particularly pay attention to two unhealthy trends: First, some party and government cadres exploit their official power to illegally purchase important state materials and goods and deal in them at windfall profits; and second, some small enterprises practice tricks to push prices up at the expense of the interests of consumers. We should severely punish those who have defied the law and discipline and have clung to unhealthy trends.

The session studied the guiding thoughts of our province in its current work of reform. It held that we must focus on urban areas. We should make some macroeconomic breakthroughs and in the sphere of microeconomics should continue solving completely the problems that have cropped up in our province's current urban and rural economic structural reform that

urgently demand solution and can be solved. By so doing we will enable our province's economic structural reform to accelerate its progress on the foundation of the work that we have done in the past. The major aspects of this are as follows: 1) We should resolutely streamline our government administration, keep the door open and decentralize power, and continue to push the reforms in our organizations forward. The Standing Committee of the provincial CPC Committee has decided to take the lead in streamlining its administration, and reforming its organization and make breakthroughs in this work. At the same time it has decided to transfer the enterprises that must be transferred downward to the jurisdiction of the cities where these enterprises are situated. 2) We should adopt effective measures to vigorously open up to the external world and other areas at home. 3) We should conscientiously learn the skill of applying and giving play to the role of economic levers. 4) Our enterprises should make internal efforts to tap their potential and satisfactorily form their internal reforms into a totality. 5) We should clearly understand that urban reform will, in turn, surely promote reforms and new economic development in our rural areas. We should exploit this favorable condition to further promote the reforms in our rural areas, readjust the structure of rural economy, and use policies to encourage on-the-spot processing of agricultural and sideline products, thus following the path of changing the forms of these products, adding to their value and facilitating the cyclic transformation of them. We should conscientiously solve the problems related to difficulties in selling and buying goods and vigorously develop commodity production. 6) In accordance with the party's policy on making people rich, we should enthusiastically help poor areas and poor households. 7) We should respect knowledge and talented people and employ a generation of new people. 8) We should persist in regarding the question of whether or not reforms are favorable for the development of social productive forces as the most important criterion for judging their success or failure.

The meeting held that in order to satisfactorily carry out economic structural reforms, the party committees at all levels must strengthen their leadership and painstakingly give their guidance. They should very carefully do their ideological work, eliminate leftism, break old conventions, and blaze new trails. They should work indomitably in the face of difficulties and make progress through conducting exploration in the practice of reforms. They should vigorously carry out investigation and study and thus become clear on the whole situation and grasp typical examples. They should also promptly be informed of any new development in the situation and continually solve new problems. Moreover, they should strengthen their work of inspection and supervision and grasp their work to the end. All the areas and departments should make a systematic inspection, in combination with the work of summing up their experiences, on the implementation of the documents of the provincial CPC Committee and government on reforms, and should report the results of the inspection to the provincial CPC Committee and government.

In order to concentrate our energy mainly on investigating and studying the reform and giving guidance on it, the session emphatically pointed out: We should further reduce and shorten our meetings and various kinds of



formalities and ceremonies, encourage the practice of focusing on reforms instead of wasting our energy on formalities and ceremonies and thus concentrate on actual work.

The session made an all-round arrangement about the work this winter and next spring. First, we should vigorously grasp the economic structural reform and conscientiously grasp the following links that affect the whole economic situation in our province and thus strive to achieve a greater economic development next year: 1) We should give full play to the backbone role of our province's large enterprises; 2) we should vigorously develop township and town enterprises, particularly household-run enterprises and joint venture enterprises and thus ensure a sharp growth of township and town enterprises; 3) next year, we should focus on developing textile and light industries in developing our province's local industries and ensure that there will be a relatively great revival in our textile and light industries; 4) we should vigorously grasp opening up the external world and to other areas at home, give a free hand in introducing technology and funds, vigorously carry out economic cooperation inside and outside our province, and develop horizontal economic relations; 5) we should vigorously conduct technological transformation, grasp the keys, satisfactorily formulate plans, improve our work related to examination and approval, speed up the progress of construction and raise economic results; and 6) this winter and next spring, we should satisfactorily grasp the capital construction in our farm land and water conservation facilities, the work of planting trees and the construction of highways, and at the same time, we should continue to satisfactorily do the work related to science, technology, education, culture, public health, and family planning. In particular, we should satisfactorily grasp the reform in our systems of scientific research and education in the light of economic structural reforms.

Second, we should continue to satisfactorily carry out party rectification and closely combine it with the reforms. During party rectification, we should persist in giving priority to unifying our thoughts and putting to rights the guiding principles concerning our work and in doing so throughout party rectification. We should earnestly achieve the aim of promoting economic development through party rectification and checking the results of party rectification by the results in economic development. We should deepen the education of thoroughly negating the Cultural Revolution, eliminate factionalism, strengthen party spirit, satisfactorily grasp the work of weeding out [ging li] the people of three categories. We should continue to correct three unhealthy practices, namely, the malpractice of exploiting one's power to pursue one's private ends, serious bureaucracy, and the practice showing one's power and influence. We should take account of the situation of the second stage of party rectification in which the number of units undergoing party rectification is large and the task of party rectification is arduous, and strengthen guidance in each area. We should persist in putting education first and correctly carrying out criticism and self-criticism and resolutely refrain from engaging in leftist practices.

Third, we should continue to satisfactorily readjust the leading groups at various levels in accordance with the requirement of the four transformations of cadres, bravely employ pioneering, talented people who are in the prime of life, who have honest work styles and who can bear hardship and stand hard work and thus turn our leading groups at various levels into organizations with a rational structure of age, education background and professional competence, and into leading bodies that are able to create a new situation.

The session called on us to carry out construction of spiritual civilization with the education of communist thoughts as the core and closely combine this construction with our economic structural reform. Our ideology should be transformed along with the development of economic reforms. We should strive to form throughout our society a civilized, healthy, and scientific lifestyle that is in line with the development of modern productive forces and that satisfies the requirements of the progress of modern society, and discard backward, foolish, and decayed things. We should foster throughout our society a positive and pioneering spirit and overcome the force of habit characterized by mental laziness, fearing reforms, and sticking to old conventions. We should respond to Comrade Hu Yaobang's call on going all out, rallying large numbers of people, and achieving great prosperity and conscientiously strengthen the construction of various cultural undertakings. Another important aspect of the construction of spiritual civilization is to strengthen the work of straightening out public order in an all-round manner. We should both continue to resolutely crack down on criminal activities and strengthen ideological education and legal system education among all our people, particularly youths and youngsters. We should strive to bring a radical turn for the better to our social order and thus ensure the smooth development of economic reforms and four modernizations.

The session called on all the people in the province to conscientiously study the decision of the CPC Central Committee on the reform of our economic system, earnestly and effectively do their work with full confidence and courage, make efforts to achieve an all-round victory in the reform, and strive to more satisfactorily create a new situation in our socialist modernization.

CSO: 4006/143



## PROVINCIAL AFFAIRS

### COMPREHENSIVE REORGANIZATION OF ENTERPRISES PROPOSED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese  
No 7, 20 Jul 84 pp 45-47

[Article by Wang Xiaotao [3769 1420 3447] of the Yunnan Provincial Office of Enterprise Reorganization: "Comprehensive Reorganization of Enterprises To Improve Their Quality"]

[Text] Since 1982, a comprehensive reorganization of enterprises has gradually developed on the industrial and transportation front in Yunnan by popularizing the experiences of selected units with a view to improving the quality and economic results of all enterprises. By the end of 1983, 341 reorganized industrial enterprises, being 26 percent of the total number included in the budget, and 24 out of the 35 large and medium-size key enterprises had successfully passed the required inspection. All these successful enterprises have undergone new changes in their production and management as well as in their spiritual outlook and have shown improvement in their quality and economic results. These facts show the need for a comprehensive reorganization to improve the quality and economic results of enterprises. According to Yunnan's plan, 80 percent of the state-run industrial enterprises in the budget should complete their reorganizations and pass inspection in 1984. Most of them are medium and small-size enterprises, and some of them have poor foundations and are under chaotic management. In view of the large number of enterprises to be reorganized, this is indeed an arduous task. It is not only a question of how many enterprises can be reorganized and can pass the inspection but also a matter of ensuring the good quality of many small and medium-size enterprises and providing a solid foundation for the vigorous development of Yunnan's economy.

The task we are confronted with is obviously difficult. However, in the past 2 years, we have accumulated some experiences in such reorganizations and inspections. We have also trained a backbone force and created favorable conditions for speeding up this work. As long as we can provide more active leadership and fully mobilize the enterprises' initiative and enthusiasm, we can certainly satisfactorily complete this work for the current year.

Proceeding from the present conditions of Yunnan, we should pay careful attention to these points in our work:

1. Enhance Our Understanding and Sense of Urgency. New progress can be made in enterprise reorganization only when our understanding has been raised to a higher plane. As everyone knows, we must first rely on the success of the key projects and on building new modern key enterprises; and, second, we must tap the potential of old enterprises to the maximum extent in order to attain the grand objective of quadrupling our gross industrial and agricultural output value. The old enterprises are the bases of socialist modernization, and their quality and economic results have a direct bearing on the support for key projects in the way of funds, materials and manpower. They can also contribute to our success or failure in attaining the grand objective of a vigorous economic development in 2000. In view of Yunnan's position and role in the country's economic life, the state is not likely to build more key projects or new projects in Yunnan in the near future. Therefore, the main way to develop its economy is to improve the quality of its old enterprises and to tap their full potential.

Economic restructuring is now going on in the country and is posing a new challenge to the enterprises. In the face of this challenge, some enterprises have had their profit intake reduced, others that formerly made profits but are now incurring losses are seriously threatened by the problem of survival and still others have become a financial liability to the state. Compared with their counterparts in other parts of the country, Yunnan's industrial enterprises have shown poor performances and are weak in competition. Their economic results are not desirable, since many technical and economic indexes have failed to attain their previous best levels, and are below the national average. This new challenge demands a marked improvement in their quality and an increase in their vitality and competitive power. There will be no way out for them if they only rely on their old methods and maintain their operation and management at the present level. Therefore, whether or not the enterprises can improve their quality is a question not only of their survival or demise but also of the success or failure of the great cause of the four modernizations.

The comprehensive reorganization of enterprises is an important way to improve the enterprises' quality. It will greatly reduce the production of unsalable products of poor quality, high consumption and unsatisfactory economic results and will improve the quality of the cadres and workers, the policy decisions, the enterprise management, the infrastructural work and the economic results. It will also lay a good foundation for vigorous economic development and the attainment of the general objective.

2. Strengthen the Leadership, Implement the System of Division of Labor and Responsibility in Enterprise Reorganization. The comprehensive reorganization aims at a general improvement of the enterprises and will involve many issues including the enterprises' internal and external as well as their vertical and horizontal relations. This reorganization cannot be successful without a strong leadership. To strengthen the leadership, we must include the work of reorganization in the agenda of important party and government meetings at all levels. This reorganization has been an important task for the party committees and governments at all levels as well as the central task of enterprises. We must concentrate all

our resources and spare no time in attending to this task. To strengthen the leadership, we should also adopt the system of a division of labor and responsibility at all levels. The organization department should attend to the reshuffling of the enterprises' leading bodies, the labor and personnel departments should be responsible for streamlining the labor organization, the finance department should take charge of the reorganization of enterprise finance and the statistics and measurement departments should exercise their control over management in their own specialized fields. The departments in charge of the enterprises, of course, have the unshirkable responsibility for the comprehensive reorganization. On the whole, the functional departments at all levels should share the work and the responsibility of reorganization according to their own functions and treat the relevant aspects of this work as part of their routine duty. This work must be carried out and closely coordinated at all levels and those departments which fail to complete their work on schedule will be called to account. To strengthen the leadership, we must again provide more active guidance in various trades. The departments in charge of industry at the provincial and prefectural levels should take the initiative of supervising, encouraging and assisting the enterprises at the prefectural and county levels to do this work well. They can set different technical and economic targets according to the varying scopes of business operations for the prefectural and county enterprises in each trade and these targets will serve as the criteria for examining the results of reorganization. They can ask the departments in charge and the enterprises at the prefectural and county levels to send representatives to join them in inspecting the reorganized enterprises directly under them. They can also dispatch mobile groups to supervise and inspect the prefectural and county enterprises undergoing reorganization. In this way, there will be unified standards for training backbone elements and ensuring the fine quality of reorganization.

3. Reshuffle and Rebuild the Leading Bodies of Enterprises. This is the key to and the prerequisite for the successful reorganization of enterprises and the improvement of their quality. If the new or reorganized leading bodies are put in charge of the reorganization of enterprises, it will help these leading bodies become familiar with the situation, help sustain the work of enterprise reorganization and help consolidate and develop the gains in the reorganization. That is why in enterprise reorganization and streamlining the leading bodies, we must have more revolutionary, younger, better educated and more professionally competent cadres; conscientiously implement the organizational line of the new age; and promote a large number of fine young and middle-age intellectuals. The most important factor is the selection of good factory directors (managers) and party committee secretaries. We must also pay attention to the building of the third echelon so as to form an echelon structure of ages. To streamline the leading bodies of enterprises, we must strengthen the system of leadership in the enterprises, separate the work of the party and the government and then form new leading bodies. The enterprise party committee must concentrate its energy on implementing the party's general and specific policies and strengthen ideological and political work and party building.

4. Adopt Different Forms of Reorganization with the Self-reorganization of Enterprises Playing the Leading Role. There will be numerous enterprises to be reorganized and inspected in 1984 according to the plan, and the work will be enormous. The departments in charge cannot be expected to form permanent investigation groups out of their own personnel to assist in this work at the basic levels. Therefore, the enterprises should play the main role through self-reorganization. However, the departments in charge of the enterprises at all levels should frequently send their personnel to the enterprises for supervision and inspection. These personnel can sum up the experiences and provide concrete guidance and assistance in the solution of such problems as cannot be solved by the enterprises themselves. The reorganization of enterprises should take many different forms. The reorganization of leadership, for example, can proceed in three different stages: first, reorganizing the leading bodies; second, training members for the new leading bodies; and, third, working out and carrying out the plans of reorganization after understanding clearly its goals and demands by studying the relevant documents of the Party Central Committee and the provincial party committee and learning from the experiences of the advanced units.

5. Give Prominence to the Key Points and Carefully Examine the Results of Reorganization. All enterprises in the province should, without exception, conscientiously carry out this reorganization program. The leading leadership at all levels should pay great attention to the 110 key enterprises whose taxes, profits and losses amount to more than 1 million yuan. These enterprises account for 8.8 percent of the total number of state-run industrial enterprises included in the budget of the province. Their output value amounts to 68.1 percent, their taxes paid and profits delivered to the state amount to 88.3 percent and their losses amount 57 percent of the total. These enterprises play a decisive role in the economic life of the province. By carefully attending to the reorganization of these enterprises, we will be able not only to improve economic results, increase our revenue and promote the economic development of the whole province but also to obtain systematic and comprehensive experiences for an in-depth development of this work among the enterprises throughout the province.

In dealing with the enterprises running at a loss, particularly those large enterprises whose losses amount to more than 500,000 yuan, we should focus our work on stopping losses. Special personnel should be assigned for "door-to-door visits" and, according to the principle of "applying pressure and then giving a chance," we should adopt effective measures to help them carry out the plan of stopping losses within time limits.

The enterprises having undergone reorganization must be inspected and approved by the higher authorities' representatives according to the set criteria. If the economic results have not been markedly improved, if the leading bodies have not been streamlined and if some serious accidents arising from inadequate safety measures have not been properly handled, the reorganization cannot be passed as satisfactory. The work of inspection should consist of three parts: the enterprise's own inspections, the



higher authorities' preliminary inspections and the higher authorities' formal inspections. Any enterprise not inspected according to the thousand-mark (or hundred-mark) system cannot be passed as having been reorganized and no certificate will be issued to this effect. The inspection must be strict and serious and can never be perfunctory. It should be flexible and diversified. We must not do anything just for show, because this means a waste of manpower and material resources.

6. Consolidate the Gains in Enterprise Reorganization, Actively Carry Out Management Modernization. The enterprises that have passed inspection should continue to consolidate and develop their gains. They should shift the focus of their work to the modernization of their management and gradually set up a system of modernized socialist enterprise management with Chinese characteristics. At present, the level of enterprise management in Yunnan is very low, and there are great differences among different areas, trades and enterprises. Therefore, in modernizing the management, we must not insist on the use of a single set pattern. We must proceed from the realities of different enterprises and the characteristics of different trades, adopt different ways and models and set different goals of management modernization at different levels and in different stages. We must strive for real results and guard against any tendency toward formalism. We must make one or several breakthroughs by concentrating our efforts on a few easy jobs before going on to the many difficult tasks and gradually develop a full range of activities. At present, we must pay particular attention to the use and popularization of total quality control, comprehensive economic accounting, roll-over plans, target production cost, management by objective, analysis of quantity, principal and interest, the ABC method of management, value engineering, market forecasting, techniques of policy decisions, systems of economic responsibility and so forth. The departments concerned should select some fairly good enterprises for experiments in modernized management and continue to sum up and popularize their experiences. By making good examples of them, we will be able to raise our work of enterprise reorganization in the province to a higher level.

7. Study New Developments, Solve New Problems, Have an Innovative Spirit in Making a Success of Enterprise Reorganization. Comprehensive reorganization of enterprises means general improvement of all enterprises and essentially a reform in the internal relations of production in the enterprises. This reform touches on the enterprises' systems of leadership and economic management; the distribution of benefits among the state, the enterprise and the workers; the cadre policy; and the personnel system. All departments concerned should have an innovative spirit in doing this work by actually assisting the enterprises in solving the problems that may crop up during the reorganization and by creating the necessary conditions for the reform. For example, in streamlining labor organization, we must break away from certain regulations and formulate new policies to suit the new developments. All enterprises which organize their production according to the number of personnel and quotas of work set by the ministries may have their wage funds and bonus funds according to fixed amounts. Regardless of the increase or decrease in personnel, these funds will remain

unchanged. Those who have increased their personnel will have their bonus funds reduced. As a matter of policy, this will encourage the enterprises to organize their production by relying on fixed numbers of personnel and fixed quotas of work. To help the enterprises deal with their surplus personnel, we may consider tax reduction or remission for those service companies newly opened by some enterprises primarily for the purpose of accommodating their surplus personnel. As for those workers who have always been on sick leave, the conditions for their retirement may be more flexible. Because of the improvement and development of the system of economic responsibility, it will be necessary for some regulations to be amended regarding labor protection and welfare measures. Some of these regulations should be more flexible, while others should be even more stringent. On the whole, the new developments and new problems in the course of enterprise reorganization demand that all departments concerned set right their guiding thoughts, step up their investigations and study, proceed from realities, pay attention to actual results and work creatively. They must not pass their days only reading "documents with red letterheads" submitted by the departments actually doing the work. They must proceed from realities and study to find out how the work of various departments can be subordinated and of service to the general line and general goal of the whole party. As long as our reform can help liberate the productive forces and contribute to stability and unity by building a strong modern socialist country with Chinese characteristics, we must unswervingly persist in such a reform.

Practical experiences have proved that as a matter of policy, the economic benefits of enterprises and their workers must be linked with the gains from the reorganization. Those enterprises whose reorganization has been successful and the leading cadres and the personnel concerned who have contributed to the success should be commended or given citations, rewards or promotions. As for those enterprises whose reorganizations cannot pass inspection within the stipulated period, the bonus funds will be reduced. The factory directors of these enterprises will lose their authority to give workers their annual promotions, while, on the other hand, those enterprises that have passed inspection will have their decision-making power expanded. This will be an effective way to sustain the morale and initiative of the enterprises and their workers during reorganization and to raise this work to a higher level.

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## PROVINCIAL AFFAIRS

### SHANXI MEETING HEARS ECONOMIC WORK REPORTS

HK290337 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 28 Nov 84

[Excerpts] On 28 November, (Lu Xiangji), deputy director of the provincial planning commission, delivered a report to the 10th meeting of the 6th provincial people's congress standing committee on the state of execution of the national economic and social development plan for 1984.

The report pointed out: The rural areas of the province have further implemented the contract responsibility system with payment linked to output and reaped another all-round bumper harvest on the basis of 3 successive bumper years. It is estimated that total grain output this year will reach 16.7 billion jin, a rise of 3.6 percent over last year. Big increases have been registered in cotton, oil crops, sugarbeet, tobacco, fiber crops, and medicinal herbs.

The province has continued to maintain a relatively high growth rate in industry. Total output value from January to October was 13,915,820,000 yuan, representing 87.4 percent of the year's plan and showing a rise of 12.6 percent over the same period last year. Total output value by yearend is expected to be 16.7 billion to 16.8 billion yuan.

(Feng Qijian), deputy director of the provincial financial department, delivered a report at the same meeting on the state of execution of the 1984 budget. He said: The 2d session of the 6th provincial people's congress approved a financial revenue budget for the year of 2,489,460,000 yuan; at the end of October this was readjusted to 2,471,060,000 yuan, a reduction of 18.4 million yuan. The main factors in the readjustment are that the central government has added an extra 12.42 million yuan in cotton price differential subsidy for the province [words indistinct] and increased the permitted losses for grain enterprises by 5.5 million yuan, thus correspondingly reducing the province's revenue quota.

The 2d session of the 6th provincial people's congress approved expenditure of 3,081,390,000 yuan, including extra expenditure of 121.9 million yuan added by the central government for special items, 7.95 million added in extra expenditure by the prefectural commissioners' offices and the cities and counties by using the surplus from the previous year, and 41.12 million yuan added in extra expenditure by the provincial authorities from the previous

year's surplus. This extra expenditure was mainly to be used in building granaries, highways, electricity for mountain areas, science equipment for schools, antiflood and water supply projects in some county seats, and construction of small rural towns, and so on.

On the state of execution of this year's budget, (Feng Qijian) said: The province's political and economic situation has been very good this year. Financial revenue by the end of October amounted to 2,200,880,000 yuan, representing 88.5 percent of the readjusted budget and showing a rise of 13.93 over the same period last year. Total expenditure amounted to 2,188,140,000 yuan, representing 67.27 of readjusted budget, and showing a rise of 27.81 percent over the same period last year.

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## ECONOMIC DEVELOPMENT ZONES

### FOREIGN INVESTMENT IN SHANGHAI ON UPSURGE

OW021304 Beijing XINHUA in English 1205 GMT 2 Nov 84

[Text] Shanghai, November 2 (XINHUA)--Shanghai is carrying out 600 Sino-foreign cooperation projects involving more than one billion U.S. dollars in foreign investment.

The sum includes 480 million U.S. dollars in direct investment attracted to the east China commercial center so far this year, a spokesman for the municipal commission of foreign economic relations and trade said today. The figure is 4.5 times the total brought in by the end of 1983 under open policies which became official following the Third Plenary Session of the 11th Chinese Communist Party Central Committee in December 1978.

In April, Shanghai and 13 other coastal cities were granted new powers over their foreign trade and investment.

Projects now under way in Shanghai include 26 Sino-foreign joint ventures and 23 co-production deals. The rest of the agreements cover leasing, compensation trade and foreign exchange loans, the commission spokesman said.

The city expects to have about 60 joint ventures and co-production projects by the end of this year, involving 750 million U.S. dollars.

It will propose 13 projects during the investment symposium for China's open cities to be held in Hong Kong from November 6 to 9, the spokesman added.

An international investment law symposium will also be held in Shanghai between November 5 and 8.

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## ECONOMIC PLANNING

### STATE COMMISSION OFFICIAL URGES PLANNING REFORM

OW031045 Beijing XINHUA Domestic Service in Chinese 0733 GMT 2 Dec 84

[Text] Beijing, 2 Dec (XINHUA)--A responsible person of the State Planning Commission pointed out at a recent meeting: In order to cope with the needs of gradual and comprehensive restructuring of the entire national economy, focusing on the urban economy, it is necessary to accelerate and actively and systematically promote the reform of China's planning system beginning next year.

The responsible person held that the "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee has set a clear direction for reforming the planning system. We must resolutely implement the guidelines of the "decision" by discarding the traditional idea of pitting the planning economy against the commodity economy and by conscientiously adhering to and applying the law of value in management planning, and must strive to establish a planning system that combines uniformity and flexibility, and promotes the development of the national economy in a proportionate manner.

The responsible person said: "Some provisional regulations on improving the planning system" approved by the State Council conform with the direction pointed out by the central authorities' decision. An important task for planning work next year is to adopt effective measures to implement the "provisional regulations" by appropriately reducing the scope of mandatory planning and expanding the scope of guidance planning in a systematic way, while attaching importance to the role of economic levers and the market.

In agriculture, it is necessary to make guidance plans for the production of staple agricultural products and mandatory plans for their procurement. The number of products procured by the state will be reduced from 29 to 10. Peasants will be allowed to sell all the products left after meeting the procurement quota, as well as other agricultural and subsidiary products.

In industry, the number of products under the State Planning Commission's mandatory plans will be reduced from some 120 to 60. Those under the mandatory plans of all ministries, provinces, municipalities, and autonomous

regions will also be reduced accordingly. The number of materials under the state unified distribution system will be reduced from 256 to 65. The number of manufactured goods under the State Planning Commission's mandatory plans will be reduced from 65 to 20. The number of export commodities under the State Planning Commission's mandatory plans will be reduced from 70 to 36.

In investing in fixed assets, mandatory plans will be made for capital construction projects whose funding is changed from state budgetary allocations to loans, capital construction loans included in the state credit loan plan, and capital construction projects using foreign funds arranged by the state. Capital construction projects financed by local governments or departments will be allowed a 10-percent variation in implementing the quota set in the plan approved by the State Planning Commission. Mandatory plans will be made for technical transformation projects covered by the state budget or with foreign funds arranged by the state, and guidance plans will be made for those financed by departments, local governments, and enterprises themselves.

Regarding labor wages, the total amount of wages of a unit owned by the whole people and the increase in the number of its workers and staff members should be linked with its economic effectiveness through various experimental practices.

The responsible person stressed: A mandatory plan must be strictly enforced, with the major production conditions properly balanced and coordinated by the State Planning Commission or departments, provinces, municipalities, and autonomous regions and gradually transferred down to enterprises. In implementing a guidance plan, the state will mainly rely on the role of economic levers and the rational distribution of financial and material resources at the state's disposal. An enterprise will formulate its own plan in accordance with the requirements of the guidance plan and in light of reality of the enterprise and of market information. Through the regulation of economic levers, the state will guide an enterprise's production and management activities to develop along the direction pointed out by the state. While appropriately reducing the scope of mandatory planning and expanding the scope of guidance planning, it is necessary to lay special emphasis on the scientific and solemn nature of mandatory plans in order to ensure the proportionate and steady development of the entire national economy.

The responsible person of the State Planning Commission pointed out: Reform of the planning system will bring about a big change in the system and method of planning. To adapt our thinking and work to this change, we must free ourselves from outdated ideas and work methods. While emancipating the mind, displaying the spirit of seeking truth from facts, studying diligently, daring to explore new ways, working hard, and advancing in the spirit of pioneers, we must gradually establish a socialist planning system that is full of vitality and liveliness and is suited to actual conditions in China.

## ECONOMIC MANAGEMENT

### YAO WENXU SPEAKS ON REFORM AT CONFERENCE

HK291506 Haikou Hainan Island Service in Mandarin 0400 GMT 29 Nov 84

[Excerpts] Yesterday morning, Yao Wenxu, secretary of the Hainan Regional CPC Committee, spoke at the regional conference on financial and trade work, pointing out that reform of financial and trade work must begin at the basic levels. It is necessary to use work at basic levels to promote work at the upper levels and to develop work from selected points to the entire area.

In dealing with what should be done now in the current reform, Comrade Yao Wenxu said that it is essential first to grasp the reform of the personnel system in enterprises. We must begin by grasping reform in enterprises which have many problems. Groups in some units are not united and have taken advantage of their power to seek personal gain. These must be reformed. Cadres responsible for management work must satisfy the requirements for making the ranks of cadres more revolutionary, younger, better educated, and professionally more competent. It is imperative to implement the system of advertising for workers, to recruit workers through a unified examination, to implement the responsibility system, and to smash the iron rice bowl. We must reform the system of wages and may implement the system of piece-rate wages and the contract system. This is beneficial to the state, collectives, and individuals.

In the course of reform, Comrade Yao Wenxu said, financial and trade departments must encourage peasants to go to urban areas to develop the third industry and to set up small shops in order to promote the prosperity of the market. Yao Wenxu emphatically pointed out that, in connection with reality, the financial and trade front must seriously study and implement the decision of the 3d Plenary Session of the 12th CPC Central Committee and must strive to do business and to strengthen management.

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## ECONOMIC MANAGEMENT

### INFORMATION, NEW TECHNOLOGY REVOLUTION

Beijing SHULIANG JINGJI JISHU JINGJI YANJIU [QUANTITATIVE AND TECHNICAL ECONOMICS] in Chinese No 8, 5 Aug 84 pp 33-36

[Article dated March 1984 by Wu Weixiong [0702 4850 3574], Economic Information Department, China People's University: "On the Information and New Technology Revolution"]

[Text] A new technological revolution is now arising all over the world with formidable speed and an irresistible power. This is an inexorable trend of historical development and an objective law. It has now become a problem for all of us to consider how to gain knowledge of this revolution, how to relate it to our national conditions and how to study and adopt the new technologies as far as they are suited to our country and would promote our four modernizations. The present article discusses only two aspects of the problem: first, what is information and what is the information revolution; second, from a systematic point of view, our article poses certain questions related to what we have learned in developing our own information system, presenting these questions for general discussion.

#### Information and Its Special Features

What is information and what are the special features of information? Due to the short time that these questions have so far been studied, no perfect and systematic concept of information has up to now been established. Even though this is a fact, it need not prevent us from trying to delineate from different angles the essence of information. For a comprehensive understanding of the meaning of information, we shall describe it according to the following of its aspects:

#### 1. Information Gives Evidence of the State of Material and Energy

Some believe that there are three key elements in the objective world, namely material, energy and information. They



exist together in unison in the movements and changes of the world. Information generally reflects the changes and differences in material movements and reflects special traits in the forms, structures and conditions of materials and energy.

## 2. Information in Relation to Material and Energy

In all human production and life processes there are combined processes of material, energy and information flows; the three are closely linked and none of the three can be missed. For instance, in a communications system the transmission of information cannot be divorced from the material and the energy involved in the transmission process and cannot exist all by itself. Information is engendered by material and energy, but is not material and energy itself.

3. Information is something that can be perceived and comprehended by man, furthermore is intermediary between man and the objective world.

Originally, man gained his knowledge of the objective world through his sense organs. Since the scope of perception of man's sense organs is limited, the information he can gain relying merely on his sense organs is also very limited. With the development of production, man began to make use of instruments, meters and various sensors and thus broadened his capability of gaining information. On the basis of the initial information that man gained about things, he began to handle and process it and to form concepts, then one step further he synthesized, drew conclusions and analysed and gained knowledge. The process of human conception may be viewed as a continuous process of obtaining information.

In summary, information is the pattern of things as they exist or conditions of their movement and is, furthermore, the direct or indirect demonstration of these kinds of patterns or conditions of movement. Information is not things per se but is expression and evidence of things; it is the substance inherent in news, intelligence, directives, data and signals engendered by things. All things, including nature and human society, produce information; information is the universal form of expression and evidence of the condition of things.

## The Information Revolution

The present new technological revolution is marked by the development and widespread use of microelectronics. First, due to the large-scale development of integrated circuits, the



increased capacity of electronic computers and their reduced costs, the computer, especially the microcomputer, has infiltrated factories, schools, government offices and homes and is being used in all fields of social production and activity, such as in agricultural production, enterprise management, traffic, communications, education and medicine. Second, due to the development of microelectronics, communication technology has experienced unprecedented development. Communication satellites add to the ability to transmit information through space. Specially high frequencies and optical fibers enable information transmission underground and at the bottom of the oceans. Remote sensing technology opened up a new world of data collecting. The integration of information technology and communications techniques led to the creation of a communications network which links the whole world into one system, so that all mankind can promptly handle and transmit all kinds of information and can jointly enjoy all information resources. From these facts we see that information is playing an increasingly important role in human production and social activities.

This has given birth to a new industry, specializing in the production, processing, collecting, transmission, storing, handling and marketing of information and the manufacture of the needed equipment, that is the information industry.

This industry on the one hand manufactures the hardware, consisting mainly of integrated circuits and computers, and also undertakes the production, development, marketing as well as maintenance and repair of various items of computers and communications equipment. Its core technology is microcomputer technology. On the other hand, the industry also renders services to information by producing software. The software industry specializes in compiling computer programs, i.e. it undertakes to develop information systems for various fields and provides consultation to all sectors of society. This is a knowledge and technology intensive industry that can create items of high value. Besides, its products are not "things," but information, and therefore does not have mechanical equipment as its key component, but is a decentralized industry with man as its key component. Western scholars have called this society, which is marked by information and which has the information industry as its mainstay, the information society. It also sums up the special features of this information society as a society in which production and social activities have become information-oriented, commodity production has become decentralized and all work personnel have become knowledge-oriented. The entire society forms one joint

information system, and through terminal equipment and the computer network a linkage is established between all industrial departments, enterprises and schools, which will bring about the automation of all factories, offices and homes, to form a new pattern of social production and social activities.

#### From a Systematic Point of View, Discussing the Problem of Information Systems Development

The special features of the presently ongoing new technological revolution are the widespread uses of new technologies, such as electronic computers, genetic engineering, optical fibers, lasers and ocean exploration. With computers as its key component, this technological revolution will give an enormous impetus to production automation, to the scientific organization of management and to an increasingly knowledge-oriented personnel. It is an extension of the human brain by means of machinery, a revolution of intellectual abilities. The utilization of new foreign technologies will therefore have our developments advance by leaps and bounds and speed up our country's four modernizations.

1. The problem of how to use computers. On all our fronts we are now engaged in the study and learning of the new technologies, trying to cope with the information revolution and endeavoring to promote the four modernization projects. Under our present conditions of having only a comparatively small number of computers available in our country, it would stand to reason that our computers would be insufficient for our requirements. However, the actual situation is just the opposite--quite a number of the machines are standing idle or are only used 3-4 hours a day. The reason for this state of affairs is: (1) An irrational purchase of computers. Before buying them, frequently no systematic analysis had been conducted, purchases were not based on what tasks were to be performed and not on a detailed evaluation of the situation, but the machines were bought out of subjective imaginations, with the result that once they had been bought, they could not be used and were a pure waste. (2) An irrational management system. Units that have the machines, have a small volume of tasks, and units that have no computers have a large amount of computations to do, while it is very difficult under the present system to arrange a harmonious cooperation between different units, the consequence being that the units without computers have high operational expenses, and the units that have the computers leave them standing idle and will also not make them available to others. (3) The computers are not matched by software development. People frequently think that having

a computer enables one to use it and have it help in solving the problems of the unit concerned, but this is indeed an incomplete concept of the situation. To solve problems, it is necessary to have a computer, but it is more important to have knowledgeable software personnel and, furthermore, to have these specialists combine a knowledge of their specialization with a knowledge of information technology. It is only after preparing the software that applies to the science in question that the computer can be called upon to render assistance in our work and solve problems.

2. The problem of integrating information technology with specialized technologies. To develop an information system, it is necessary to integrate information with specialized technology. However, most of the technical leadership and technical key personnel in our present units and departments have graduated from our universities and technical secondary schools in the 1950's or early 1960's. They did not learn these technologies when they were studying, and when they went to work, they experienced the 10 years of calamity. It is therefore very difficult for them to apply information technologies in their professional work. Moreover, personnel who recently transferred from mathematics and other such specialized fields to take on information technology and the recent graduates from universities and colleges are again not familiar with the concrete work going on in the various departments. The above conditions seriously affect the application and development of our information technology. Specific measures must be adopted to conduct supplementary classes for the above-mentioned two types of personnel. We must also introduce a large number of computers in our institutions of higher learning and establish courses in the new peripheral sciences, so as to gradually achieve the integration of information with the specialized technologies.

3. The problem of selecting research projects. Among our science and technology personnel there prevails a certain mental tendency of disinclination to select large research topics that involve a broad field and complex personnel relations; they rather embark on small projects that can be handled by one person alone. There are various reasons for this, namely: (1) If the research project is complex, the neglect shown in any one of its links will adversely affect the entire project and delay the completion of the research. (2) An irrational selection of research projects (lack of scientific foundation or poor feasibility prospects), which will cause wastage without yielding any results. (3) Even if the project is completed, our irrational distribution system

will dampen the enthusiasm of the science and technology personnel, which is a reason why the solution of large research projects with great significance for the national economy are left unsolved for long times, which in turn has an adverse effect on the development of various items of our work.

These problems reflect the lack of scientific analysis in determining research projects and also reflect the irrational nature of our management system. It shows up the contradiction between the socialization of labor brought about by the new technologies and the small-scale producer mentality of the scientific and technological personnel. To neglect human mentality in pursuing the new technologies would therefore constitute quite an inadequate concept. We must institute patriotic education, carry out ideological work and include the labor of our scientific and technological personnel in the plan. We must at the same time perfect and reform the current irrational system and arouse the enthusiasm of the personnel of all categories.

4. Solving the problem of duplicative research and raising efficiency among personnel of all categories. Most of our units that have computers are preparing so-called salary and wages systems, warehouse control systems, information search systems, etc. We have two problems in this respect: (1) The number of our limited personnel who engage in duplicative work is shockingly large. (2) The proportions of systems analysts, programmers and operators among our present information technology personnel are incongruous. The systems analysts must frequently do the work of operators, which is a waste of manpower. To solve these problems, we must establish an organizational structure (a corporation or a ministry of information technology and industry), strengthen unified leadership and control and change the decentralized state of each going his own way. To solve the problem of unproportionate categories of personnel, we will also have to rely on a reform. For instance, all units must be given certain powers in personnel affairs, allowing them to hire personnel of every category, encourage movement of qualified staff, especially of systems analysts, who shall have opportunity to accept concurrent external positions so as to increase their contributions to the state.

5. On the leadership problem. Leadership is the key factor that determines whether we shall be able to develop a concrete information system. The present leadership is accustomed to using methods that had been used in the past to run traditional



industrial production and is now using them in the management of enterprises. They are, furthermore, very fond of keeping enterprises "small but complete," each establishing his own firm. As to the management of the new technology and new science, most of the leadership lack adequate knowledge, and this circumstance proves very unfavorable for the development of the new technologies and for their application, and most certainly has an adverse effect on the development of the new technologies. For instance, when the use of computers is promoted for production automation, their first concern will be, what to do with the personnel that will become superfluous after the introduction of automation? There is certainly nothing wrong with a consideration of this problem, but the positive attitude would be to support automation and later think of arrangements for the staff. Actually, wider use of computers and the introduction of automation will require large numbers of staff, because many people will be needed to compile the needed software. The problem will then boil down to actively train qualified staff by various forms of education and raise their level of knowledge; this, then, will be the path toward a solution of the problem of surplus staff.

6. We must, from a system angle, attach importance to continuous summing up of experiences and raising the level of information systems development. Judging by the above-stated problems, there is a mutual interaction between the various factors that exist together in one system, namely the leadership, the technical staff, the machinery and various institutions. How to coordinate all these factors, starting out from the system concept, in order to obtain a perfect system, is a problem that we must solve. It is suggested to begin with an analysis of exemplary systems, draw lessons from the experiences of foreign countries and derive from a summary of all these experiences a path to follow in our country's development of an information system.

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## ECONOMIC MANAGEMENT

### SHIJIE JINGJI REVIEWS TOFFLER'S 'THE THIRD WAVE'

HK060139 Beijing SHIJIE JINGJI in Chinese No 9, 10 Sep 84 pp 27-34

[Article by Shen Huasong and Wang Huaining of the World Economic and Political Institute of the Chinese Academy of Social Sciences: "On 'The Economics of the Third Wave'"]

[Text] Alvin Toffler's "The Third Wave," now a worldwide bestseller, has attracted widespread interest. The reason for this lies in the fact that it reports that the new technology revolution will have a radically profound effect on the face of the world. At the same time, it has captured the sense of crisis and anxiety over an uncertain future, and therefore certain of its evaluations of contemporary capitalism and its captivating descriptions of future society have moved people's hearts. Everyone would like to understand the future of the scientific and technological revolution, and as far as possible adapt themselves to this wave of social development. In allowing people to hear this "thunderous sound of crashing waves off the coastline," "The Third Wave" has naturally found great popularity.

"Modern science and technology is undergoing a massive revolution.... almost all branches of science and technology are undergoing profound changes, taking new leaps and bounds, and producing a whole series of new sciences and technologies." (Footnote 1) ("Selected Works of Deng Xiaoping" p 84) Without a doubt, these new sciences and technologies, when applied to production and society, will bring about new leaps and bounds in the social forces of production, and commensurate changes in social life. Toffler has perceptively recognized this point. However, in "The Third Wave," he has been unable to provide a genuinely scientific analysis of the relationship between the forces of production and social development and change. He sums up social development in three waves, the agricultural revolution, the industrial revolution, and the information revolution, and thereby entirely overlooks the dialectical unity between the forces of production and the relations of production; he ignores the basic essence of contemporary capitalist relations of production, in particular the issue of the system of ownership, and uses the "conflict between two waves" to replace the basic contradiction of the modern world. Therefore, he inevitably makes many mistaken judgements in his predictions concerning future society, while the international strategy he has drawn up to meet this revolution can only represent a new utopia.

Of course, in its reflection of the reality of the massive revolution faced by contemporary science and technology, "The Third Wave" also contains much important information. We should pay more attention than ever before to the development of science and technology, and in order to adapt to the new scientific and technological revolution, we should constantly perfect our socialist relations of production, reform economic systems which have become outdated, and welcome the new challenge. This cannot be doubted. However, on the question of the "information explosion" of "The Third Wave," we must carry out vital "filtering," so as to avoid having beneficial information get lost in the "clamor." To this end, we must use the basic principles of dialectical materialism and historical materialism to carry out the necessary process of developing what is useful and discarding what is not. Of course, this is not an easy job, and requires us to do a large amount of examination and research and difficult theoretical exploration. This article cannot possibly give a critical assessment of the extremely broad contents of "The Third Wave"; we will instead concentrate our discussion on the so-called "economics of the third wave" put forward by Toffler.

#### Human Social Development and the So-called "Third Wave"

Toffler sums up the development of human history in three stages: "The first wave was the agricultural stage, the second was the industrial stage, and the third is the stage which is just beginning." (Footnote 2) (Alvin Toffler: "The Third Wave" p 45) On this basis, he puts forward the necessity of establishing an "economics of the third wave."

Toffler's periodization of human historical development is quite obviously mistaken. The existence and development of human society requires as its basis the development of the forces of production, and the constant increase in the production of all sorts of goods and materials; this cannot be doubted. However, just as Marx pointed out: "The word 'production' always refers to production in a certain period of social development." (Footnote 3) (Marx: "Introduction to a Critique of Political Economy" see "Critique of Political Economy," single volume, p 148) Moreover, production in a certain period of social development always encompasses two aspects, the forces of production and the relations of production. Therefore, when we divide social development into periods, we must unite these two aspects, the forces and relations of production, into a single entity for examination; we cannot make judgements from one aspect or another in isolation. "The difference between each economic era lies not in what is produced, but in how it is produced, and what labor and materials are used to produce it." (Footnote 4) (Marx: "Das Kapital," Vol 1, "Complete Works of Marx and Engels," Vol 23, p 204) Here, "How it is produced" encompasses the substance of both the forces and the relations of production.

Examining the question from the point of view of the unity between the forces and relations of production, there have already appeared five different production forms in mankind's social development: primitive society, slave society, feudal society, capitalist society, and socialist

society. In today's world, there exists the basic opposition between socialism and capitalism; this is a fact for all to see, and is nothing like, as Toffler claims, a single homogenous industrial society. This is all common knowledge, and there is no need for us to expound it further. We only put forward this point to show how Toffler's "third wave economics" is a highly confused concept.

Below, we will analyze further certain specific points contained in "third wave economics."

#### The Contradiction Between Production and Consumption and the So-called "Oneness of Producers and Consumers"

In "The Third Wave," Toffler puts forward a highly important economic proposition, namely that due to the arrival of information in society, "producers and consumers will become one." In his opinion, the economic structure of the "second wave" of civilization has already fallen to pieces. On the basis of the new scientific and technological revolution, including new energy resources, new materials from outer space and the sea, individualized information means, and genetic engineering, production is becoming individualized, and enterprises are passing through the stage of mass production; large corporations are becoming organizational forms producing a variety of products and carrying out a variety of goals; and the "nuclear family" is becoming the center of the information society. All of these things are leading to a change of fundamental importance, namely that "producers and consumers are becoming one," and moreover this change "will bring about an explosive change in our economic system and our most deeply held value concepts."

In order to prove this basic proposition of "producers and consumers becoming one," Toffler lists a whole series of phenomena and fashion trends. Basically, they come down to the following: first, all sorts of "self-help movements" are appearing in social organization, and these "building movements" are pushing forward the "oneness of producers and consumers." Second, everyone is becoming more and more "do-it-yourself" oriented. For example, self-service gas stations and supermarkets, in which customers take over part of the services of salespeople; household electrical appliances are repaired by oneself, people build their own houses, and so on. Third, consumers are already becoming increasingly a part of the production process. Consumers can design products according to their own needs, and choose the manufacturing process, while computers will manipulate machinery, and make products according to the wishes of consumers. In this way, the traditional differentiation between producer and consumer is being wiped out. Toffler even asserts that "many economists are indeed coming out with theories which recognize that traditional economic thinking, whether it be the Western school or Marxism, has become divorced from fast-changing reality." (Footnote 5) (Alvin Toffler: "The Third Wave," p 351) The key reason for this lies in the fact that economists have not recognized the basic change of "producers and consumers becoming one."

In fact, there is nothing new about Toffler's "self-help society," "labor capital shift" or the definition of products according to consumer needs. Right up until today, the role of these activities in the material production process cannot be underestimated. For example, the biggest "self-service market" sector is home repairs, with a turnover in the United States of \$40 billion a year; but it cannot possibly become the main trend in material production of goods, of course. To conclude from this that producers and consumers are becoming one is going a bit too far. At the same time, Toffler's assertion of the "producers and consumers becoming one" theory is untenable. In his opinion, the reason why people want to "do it themselves" is that labor costs are getting higher and higher, and "doing it themselves" avoids paying vast labor expenses. Here, Toffler is not only substituting people's need for labor for the entire goods production of society, he is also overlooking the fact of people being involved in labor services and labor costs. Social development cannot possibly go in the direction of a lowering in productivity, nor can the division of labor be eliminated. Otherwise, people will eventually return to the self-sufficient society. This is neither the reality of today, nor can it be the future trend of development. Another scholar of the future, John Nesbitt, though he analyzes social developmental trends from surface phenomena in the same way as Toffler, differs in his attitude to this point from Toffler. He says: "In a high-technology information society, what we use is brainpower, not manual power as in the factory workers of the industrial era, and therefore in our spare time activities, we need to use our bodies and hands more to balance the constant use of our brainpower at work. We can already see this trend from the rage for gardening, cooking, and building and repairing our own houses." (Footnote 6) (John Nesbitt: "Megatrends--Ten New Directions in Which Our Lives Are Changing" p 52) In Nesbitt's view, these activities are nothing more than recreation pursued in order to balance the lives of people in a highly-advanced technological society, and cannot possibly be a change of great economic significance.

As we know, the division between producer and consumer, and the contradiction between production and consumption, is a characteristic of the capitalist mode of production based on the system of private ownership. It is absolutely not something which can be changed through changes in production methods and technology. On the surface, laborers are both involved in production and at the same time carry out consumption; it has always been this way. However, the problem lies in the fact that the system of private ownership of the means of production splits the producer from the consumer. As long as the capitalist private ownership system exists, the cyclical economic crisis produced by the contradiction between limitless expansion of production and spending power will be unavoidable, and "producers and consumers becoming one" will be nothing more than empty talk.

First, from the point of view of production and consumption, a worker who is a direct producer, like other levels, is not a genuine consumer. The application of microprocessors and the automation of production does indeed give enterprises the possibility of producing a variety of goods



in small batches or single units to suit special consumer needs, and consumers may even specify not only the design and specifications, "but may also turn the key which starts the whole work process in motion." But all of this does not in the slightest change the basic fact that consumers can only purchase other people's products as buyers. The satisfaction of their needs still relies on a production system controlled by capitalists. Therefore, from the point of view of the essential significance of production relations, consumers have by no means really entered the production process. On this point, Marx makes an extremely brilliant point in his "On the Theory of Surplus Value." He writes: "Therefore, there is nothing more ridiculous than asserting that producers and consumers are the same; because for the vast majority of production departments--for (all of those) production departments which do not produce products for their own direct consumption--the majority of people engaged in production do not purchase the products which they themselves produce." (Footnote 7) ("Selected Political and Economic Works of Marx, Engels, Lenin, and Stalin" part one, p 364-365) Moreover, "it is equally mistaken to assert that consumers are the same thing as producers. Landowners (those who live off land rents) do not produce anything, but they consume. The situation is entirely the same for all the various representatives of currency capital." (Footnote 8) ("Selected Political and Economic Works of Marx, Engels, Lenin, and Stalin" part one, p 364-365) Surely nothing has changed since Marx described that situation? Not in the least.

Because Toffler has confused two totally different producers, the hired laborer and the enterprise, he has failed to see this fact pointed out by Marx: "In society, as soon as a product has been finished, the producer's relation to it is an external one, and the return of the product to the producer depends on his relations with other individuals.... Distribution is inserted between product and producer, and distribution decides, based on social laws, the share of the producer in the world of products, and therefore stands between production and consumption." (Footnote 9) ("Selected Works of Marx and Engels" Vol 2, p 97) And the capitalist nature of distribution dictates the division between production and consumption and between producer and consumer. In order to consume, workers must produce surplus value, but the allocation of surplus value, whether it is consumed by the individual capitalist or used in production, is decided by the capitalist, not by the worker. Therefore, whether we talk in terms of the worker creating value, or in terms of the specific products he produces, direct producers cannot be consumers in the full sense of the word, and consumers cannot really be producers of the main part of the social product. The social division of labor greatly deepens this division, and in a highly-developed capitalist society, production can only be in order to add surplus value, not for direct consumption. Therefore, to assert, on the basis of current fashions like "self-help movements" and "do-it-yourself" along with other changes in management modes in production and circulation, none of which are to be underestimated, that "producers and consumers are becoming one," and to say, on the basis of this "explosive change" taking place deep in the capitalist economic system that economists should create "third wave economics," is at the very least a hasty and mistaken judgement.



## The End of Marketization?

Taking as a starting point his mistaken assertion that "producers and consumers are becoming one," Toffler goes on to produce another conclusion, namely that "marketization is reaching its final stages." He says that the unification of producer and consumer is beginning to change the status and role of the market in people's lives. "What has already happened is not only a change in the mode in which people enter the market, but even more importantly the fact that the whole historical process of the creation of the market is now over. This turning point is of revolutionary significance." (Footnote 10) (Alvin Toffler: "The Third Wave" p 355) A mistaken premise has led to a mistaken conclusion.

Without the slightest doubt, modern science and technology will produce important effects on the transfer, processing, and storage of economic information, and hence on the mode of economic management. For example, the widespread use of the computer in organization management and the social sciences proves this point. These things will also naturally bring about some profound changes in the structure of the market, and in the whole process of production, circulation, and exchange. Toffler considers that "we will redesign important channels to suit the rapidly increasing circulation of information. This new system will rely more and more on electronics, biotechnology, and new sociotechnologies." (Footnote 11) (Alvin Toffler: "The Third Wave" p 356) We do not dispute this in the slightest. However, the opinion that this has already brought about "the end of marketization," and is ushering in a "paramarket" culture, is a mistaken viewpoint with which we are entirely unable to agree. Under the capitalist system, the process of marketization cannot come to an end, and the only thing that changes is its outer appearance.

Marx once pointed out that "under a social system in which social labor relations are manifested by the private exchange of individual labor — products, the form in which this labor is proportionately realized is precisely the exchange value of these products." (Footnote 12) ("Selected Works of Marx and Engels" Vol 4, p 368) Therefore, commodity exchange, market and price fluctuations, cyclical economic crisis, and so on, are absolutely unavoidable as far as capitalism is concerned. This spontaneous, blind regulatory mechanism in the capitalist economy cannot possibly be perfectly controlled, neither is it possible to gain full economic information from feedback channels or to use this information effectively. In the pursuit of profit, production and the market will always expand, and create all sorts of economic contradictions in doing so. Modern information methods may, to a certain extent, change the form in which this rule functions, but they cannot and have not changed the rule itself. It is not true that the domestic and international capitalist markets are expanding swiftly even now? We cannot see even the slightest hint that capitalist markets are showing any tendency toward shrinking or dying out. Bringing marketization to an end without transforming the capitalist private ownership system is like recognizing the movement of planets while eliminating the law of universal gravitation.

Here, we must also call attention to a new theory of U.S. economists--the "new industrial organization theory." This theory has it that the characteristics and tendencies of modern industrial organization are the production of many different commodities; management efficiency will no longer come from specialization and expansion of scale, but from a "composite economy"--cost-regulated efficiency produced by multiple product management. This point is wholly in line with Toffler's viewpoint. However, contrary to Toffler's "end of marketization" conclusion, the conclusion of the "new industrial organization theory" is that, with highly-advanced information technology, the circulatory and flexible nature of financial and market capital will increase, while the profit margins of monopoly will be balanced out by the attack of this capital circulation, and for the "composite economy," the monopoly of factory and commerce over the market will be manifested mainly in average profits taking up less and less of the market. Therefore, "the modern form of monopoly capital formed of multiproduct industry and commerce effects a new market mechanism...and we should carry out new, more liberal industrial policies which help this new market mechanism play its role." (Footnote 13) (Wu Jianmin: "The New Industrial Theory of the U.S." SHIJIE JINGJI DAobao, No 11, 19 Mar 84) It can be seen that in their opinion, the issue lies not in the elimination of the market mechanism, but in the need for people to perceive its changes and find ways to adapt to the new market mechanism. Here, we have no intention of evaluating the "theory of new industrial organization." We merely point out that due to the class sensitivity of these economists, their analysis and predictions concerning the market mechanism are much more expert than Toffler's.

#### The World Economy and the So-Called "Collapse of the Nation State"

In Toffler's view, the big corporations under the economic system of the second wave were based on national markets, national currencies, and national governments. However, when the third wave sweeps across the entire globe, the nation state come under pressure and pincer-attack from both above and below. "Some powers are attempting to shift political power from the nation state down to the secondary regional or group level of those states. In addition, other forces are trying to shift power from the states up to multinational organs and organizations. Added together, these two forces are forcing the collapse of highly-developed nations, turning them into smaller, less powerful units." (Footnote 14) (Alvin Toffler: "The Third Wave" p 383) This decline of the nation state reflects the coming of a new global economy.

Truly, the governments of the majority of advanced capitalist countries have, since the 1960's, been subject to grave difficulties, beset as they have been by a whole series of complex issues including inflation, unemployment, environmental pollution, racial prejudice, splittism, peace movements, crises of confidence, terrorist organizations, and so on. However, the measures taken by the capitalist classes to escape these problems have not involved "the decline of the nation state." Quite the contrary, they have constantly worked to perfect and strengthen the national machine. Just as Marx said in his "18th Brumaire of Louis Bonaparte,"

"all revolutions served to strengthen this machine, not to destroy it. All those political parties which replaced each other one after another in their fight for political power saw the winning of this massive state structure as the main booty of their victory." (Footnote 15) ("Selected Works of Marx and Engels" Vol 1, p 692) The situation is the same today. In imperialist nations, the national machine never reached the peak of perfection we see today. Its more subtle "parliamentary democracy;" its ever more intimate ties, in terms of economics and personnel, with monopoly capital; and its unprecedentedly massive bureaucratic system, are all living realities. Moreover, it is using the most advanced science and technology to equip its standing army, police, and intelligence organizations from firepower to electronic I.D. cards. It also possesses massive think-tanks connected by computer terminals, and all sorts of "brain trusts" which provide possible policies for the government to choose. The monopoly capital class has not let slip the opportunity presented by modern science and technology to strengthen the national machine. If states have, within the limits they approve, shifted part of their power up to multinational organs, and part down to subnational regions and groups, this represents nothing more than bourgeois states improving their governmental effectiveness in order to solve their "policymaking implosion." This type of "dispersed policymaking" not only presents no threat whatsoever to the basic interests of bourgeois nation states, but does quite the opposite. What we see everywhere today is not "the collapse of the nation state" but its strengthening.

In fact, the separatist and regional autonomy movements cited by Toffler, such as the nationalist problems in Northern Ireland and Scotland, independence movements France's Corsica, Bretagne, Alsatia, and Lorraine, and the opposition in the United States of the industrial northeast and mid-American states to the "sunshine belt" states, are not things which have only just appeared. Since the last century, these problems have constantly troubled the central governments of bourgeois nation states. However, none has hindered the bourgeoisie from constantly strengthening its national machine. To see these old problems as a new sign of "the collapse of the nation state" is both to break with history and to make an unjustified assumption.

Increased state intervention in the economy is one important aspect of the postwar bourgeoisie strengthening of the national machine. The massive rise of multinational corporations and the appearance of "unified" regional political and economic organizations have gone on at precisely the same time as this. Do these things form the pressure from above which is hastening the "collapse of the nation state?" We must similarly answer this question with facts. The best and most typical fact is the existence and development of the EC, because it is a model of a "multinational" structure formed of advanced capitalist countries.

As we know, when this sort of "multinational" regulation suited the interests of bourgeois nation states, the EEC saw a period of smooth development, the "golden era" of the 1950's and 1960's. However, with the advent of the 1970's, due to the energy problem, long-term economic

stagflation, and the unbalanced development and strengthened protectionism of the European nations, "multinational" regulation unavoidably came into conflict with the interests of the nation states. The EEC encountered unprecedentedly grave difficulties in terms of agricultural subsidies, coordinating limits on iron and steel production, budget contributions by the member nations, and the European Monetary System. Even the Customs Union, which had been most effective in the past, faced a serious challenge due to overcapacity in production by the member states and the rise of protectionism. Facts have proved that the limits on the development of the EEC have been dictated by the interests of the nation states and the extent of coordination between them, and by their political unity in the common opposition to the superpowers. As for the various "unlawful" activities which have violated the EEC regulations due to the conflicting interests of its nation states, without an adequately powerful "multinational" standing army and police, no international system is guaranteed. As soon as "multinational" regulation comes into conflict with the basic interests of nation states, the said nation states casually throw international cooperation to the winds. Such examples are extremely common. During the first quarter of 1981, the FGR's Thyssen-Konzern violated an EEC agreement and produced 3,871 tons of steel in excess of that agreement. The EEC Commission took the matter to the European Court of Justice, demanding a fine of DM690,000, but the final decision of the court was for a fine of DM120,000! It's really quite ridiculous. In June 1983, the Italian Cabinet proclaimed that the EEC Commission's decision to reduce the ceiling on Italy's steel production was "unacceptable." In March of this year, the EEC Summit Conference broke up in discord due to the British insistence on taking 1.25 billion to 1.5 billion European Currency Units in commission, and on 28 March, Britain announced that it would temporarily cease budget contributions to the EEC for that month. Of course, the EEC can still overcome some difficulties and continue with its progress. However, these facts show that nation states are unequivocal in the protection of their class interests. In the face of all these facts, Toffler's theory that nation states are collapsing under the pressure of multinational organizations is obviously rash and counter to reality.

After the war, due to the development of production and international division of labor, the economies of the various nations increased their contacts further. During this process, multinational corporations played an important role in many respects. Modern tools of traffic and communications and advanced information-processing technology provided strong material and technological bases for this internationalization. On the subject of these trends, an examination report by a Soviet Science Institute pointed out that even a strong, independent, large nation like the Soviet Union now had to rely on the Western economy, even more so in areas involving science and technology, and that it was therefore "no longer possible for a socialist economy to develop independently." However, the strengthening of economic contacts between nations and the "decline of the nation state" cannot both be asserted simultaneously; they are essentially entirely different things.



As a superstructure, the state is dictated by its economic base. Without the thorough transformation of capitalist relations of production, a bourgeois nation state based on these relations will continue to exist. And because of this, the decline and disappearance of the state must take a relatively long historical period, and go through a series of important socioeconomic changes and leaps. Of these, the first and most important step is the recovery of the means of production by the state as the representative of the entire people. After this, the state must also go through a very long historical period in which it exercises the role of economic organizer and manager, including a necessary period during which violence is used. Before all these tasks are completed, the state cannot possibly be said to have withered away. At the same time, facts prove that "the decline of the nation state" is neither the prerequisite for economic internationalization, nor its direct consequence. On the contrary, the existence of nation states is the direct prerequisite for world economic production and development. Because the dependency of the world economy begs the question first of who is dependent on whom, and its concentrated manifestation is the economic relations between nations. Today's economic internationalization is being carried out precisely on the basis of strengthened nation states. Nesbitt put it very interestingly: "In my opinion, the more economically interdependent we become, the more we manifest our humanity, the more we want to emphasise our own characteristics ....put simply, Swedes are becoming more Swedish, Chinese are becoming more Chinese, and French people are becoming more French." (Footnote 16) (John Nesbitt: op cit p 75) Though Nesbitt starts from a different angle than ours, his statement represents a criticism of Toffler's assertions from a different angle.

Toffler has realized that the massive rise of the Third World movement for national liberation and economic independence has grown into an irresistible force. Therefore, he has not used words like "collapse," "disintegrate," and "decline" to describe developing countries, but he implies the same when he says "in the past, the founding of a nation was necessitated by effective industrialization." At the same time, he puts forward some value judgements concerning the developmental strategies of poor nations. However, he also says, "for economies on a nationwide scale, nation states used to be a necessary political vessel. Today, not only have these vessels begun to leak, but they have become outdated by the very fruits of their progress." The new global economy is not "ideologically laissez-faire or Marxist, but globalist." (Footnote 17) (Alvin Toffler: "The Third Wave") These viewpoints are detrimental to the developing countries' opposition to monopoly capitalism and to hegemonism. Engels put it well when he said: "If an international commission composed of dominant nations called upon its subject nations and oppressed nations to forget their own national nature and borders, to 'cast aside national conflicts,' and so on, this would not be internationalism, but the advocacy of surrender to oppression, and an attempt under the cover of internationalism to maintain domination over subject nations, and to lengthen the life of this domination." (Footnote 18) ("Selected Works of Marx and Engels," Vol 2, p 456) This is a similarly strong criticism of the so-called "globalism" now being trumpeted by the bourgeoisie.



In fact, for both developing countries and developed countries, "the decline of the nation state" is a fictitious issue. Therefore, when we carry out the correct policy of opening up to the outside, if we restore frivolous and confused theories like the idea that "the cooperative nature of globalism and nationalism is strengthening" we will be harming our own interests. If we really become intoxicated with the myth of "the decline of the nation state," we will be unable to see the oppression and exploitation of the developing nations by the great capitalist powers, we will overlook the important rule of unbalanced politico-economic development on the part of imperialism, and we will be unable correctly to understand the highly acute and complex political conflicts and economic struggles in the world today.

#### The Basic Contradictions in the Contemporary World and the So-Called "Superstruggle"

Toffler has recognized that in the conflicts of "The Third Wave," sooner or later we will be faced with a potentially explosive political revolution, and he sketches an idea of what London would be like in the event of a future political revolution. He said: "The only important political conflict today is no longer between rich and poor, or between national groups in a position to allocate resources and the groups of poor nations, or between capitalism and communism. The decisive struggle of today is between those people who are attempting to support and protect the existence of industrial society, and those people who are planning to go beyond it and progress further. This will be a superstruggle for the future." (Footnote 19) (Alvin Toffler: "The Third Wave" p 505) This assertion is nothing more than a refurbished version of globalism under the cover of the "conflict between two waves," and entirely casts aside the basic contradictions in the contemporary world.

In our opinion, the basic contradictions in today's world are still the struggle of the superpowers for global hegemony and the Third World's opposition to international monopoly capital and its struggle to establish a new international economic order, along with the struggle between socialism and capitalism, and the struggle between the bourgeoisie and all the laboring masses. These struggles are basically class conflicts. These conflicts are manifested on a world scale so acutely and obviously that any person with normal powers of judgement can see them quite clearly. In these opposing sides, then, who represents the "second wave" and who represents the "third wave?" Toffler's concept of the conflict between two waves cannot possibly give a clear or precise answer to the basic contradictions of the present-day world.

The reason is quite simple; Toffler himself also understands that "the dividing line between these two camps is difficult to draw even today." His "second wave camp" includes so-called present day famous powerholders, such as politicians, businessmen, trade union leaders, educators, mass media people, and so on. The "third wave" camp, however, is difficult to describe; it includes the heads of large corporations, environmental protectionists, new socialists, feminists, and so on. This is an extremely

chaotic and messy grouping. He simply has not considered how these individuals, who represent differing and even conflicting interests, can form a concentrated force, a wave with a common aim, and decide the face of the society of the future. In Toffler's view, if one insists on using the word "class," then the majority of the members of the "third wave camp" are middle class. In fact, the real wave-makers of the "third wave" who possess the advanced technology are by no means the middle classes, but part of the monopoly capitalist class. As for the workers and other laboring masses who make up the main body of society, along with the people of the Third World, Toffler ignores them completely, giving them hardly a mention. If this is the political conclusion which Toffler has produced starting from the correct premise of the new technology revolution and proceeding through his "third wave economics," then he has suffered a terrible regression! The various different classes and nations will have different responses to the new technology revolution; it is hardly going to be a case of the new technology revolution splitting all these different classes into two opposing camps, the "second wave" camp and the "third wave" camp.

"Science is a force which has historically exerted a motive, revolutionary force." Marx was highly gratified by each new discovery in science: "Whenever there was a discovery which would immediately produce a revolutionary effect on industry and on general historical development, his happiness was entirely unfounded. For instance, he once conducted a very close scrutiny of the state of development of discoveries in electronics." (Footnote 20) ("Selected Works of Marx and Engels," Vol 3, p 575) Here, Marx established a brilliant model for us. And we are constant and unyielding in our belief that the new technological revolution will produce massive transformations in the world of the future, and maybe even some unimaginable changes. However, these changes will not happen naturally with the progress of science and technology, but will require social revolution and the basic transformation of the relations of production. Neither will they, as Toffler asserts, "open up a broad public debate;" many dispersed experiments; the establishment of trans-national electoral regions; "the promotion of a massive social learning process;? or any other sort of paths. The correct road is still. As Marx and Engels long ago pointed out, the path of scientific socialism, and the leaps and bounds of science and technology will push forward the people of all countries to take this great road even sooner.

## ECONOMIC MANAGEMENT

### XINHUA URGES ENTERPRISES TO INITIATE REFORM

OWO70121 Beijing XINHUA Domestic Service in Chinese 0052 GMT 6 Dec 84

[Article by XINHUA Commentator: "Look to Yourself to Carry Out Reform"]

[Text] Beijing, 6 Dec (XINHUA)--Leading cadres of some large enterprises still do not think that the current reform policies are flexible enough, and are still waiting for higher authority to delegate more powers to them. However, the experience of the Beijing Printing and Dyeing Mill shows precisely that reform policies formulated by the party Central Committee and the State Council, and the powers of decision delegated to enterprises, have created the necessary conditions for giving enterprises added vigor, and that what counts is whether the enterprises are seriously implementing reform policies.

The director of the Beijing Printing and Dyeing Mill exercised his power of promotion eight times in 6 months, and promoted more than 100 staff members and workers, who made extraordinary contributions. To improve the reward practice, he widened the differential in monthly bonuses for staff members and workers to 100 times between highest and lowest, and thus aroused people's enthusiasm, the most vigorous factor in the development of production. In personnel employment, he uses whoever is qualified, even in face of such strong resistance as "collective resignation."

Nevertheless, some enterprises dare not exercise these powers explicitly delegated to them by the state. They dare not promote staff members and workers, who have made special contributions, widen the difference in bonuses, nor have they the courage to promote excellent people of ability. According to statistics compiled by the industrial department of one city, by the end of October this year, only the directors of one-sixth of the enterprises exercised their powers of promotion, and only 11 percent of the promotable staff members and workers were promoted. These enterprises, which dare not exercise their powers of promotion today, did, in the last few years, request that they be given certain powers of decision, such as the powers of promotion, of reward and punishment, and of personnel appointment and removal, in order to overcome the malpractice of staff members and workers "sharing food from the same big pot." Now that the state has delegated such powers to them, why don't they have the courage to exercise those powers? An important reason for this is that the

leaders of these enterprises are afraid of offending people. This shows that it takes courage and resourcefulness to implement reform policies and exercise powers of decision.

The major tasks undertaken by the director of the Beijing Printing and Dyeing Mill since he assumed office have been to carry out reform; to correctly exercise the powers of decision in 10 aspects, such as planning for production and operations, sale of products, and inter-unit associated operations, delegated to enterprises by the State Council in May this year; and to quickly add more vigor to the enterprise. His success shows that, as long as one looks to himself and properly exercises the powers of decision, he will be able to bring into play the potential and strong points of his enterprise, and accomplish many things. Conversely, if he always turns to the higher authorities and slackens his own efforts, he is only wasting time, and delaying the process of reform.

On the experience of the Beijing Printing and Dyeing Mill, Premier Zhao Ziyang has particularly pointed out that the key to carrying out the central authorities' reform policies and measures is qualified personnel. Responsible persons of many enterprises know the truth of Premier Zhao's remark, but have not done as the Beijing Printing and Dyeing Mill has. Responsible persons of some enterprises often admire what the "persons of ability" of other units have accomplished, but are dissatisfied with the persons of ability in their own enterprises, long restraining the "fine horses," and making it difficult for them to gallop. To solve the crucial question of persons of ability, these enterprises should also learn from the Beijing Printing and Dyeing Mill, turn to themselves, select and employ worthy and able persons, and free their own "fine horses" first to enable them to develop their talents in the course of reform and innovation.

Reform has provided a vast field for all enterprises to display their abilities. It is important that the leaders of large enterprises display their abilities and talents in this vast field. This is a rare opportunity, and time and tide waits for no man. It is indeed time for large enterprises to look to themselves. With the survival of the fittest, and under the unprecedentedly intense competition in the market, it is of no use for one to sit and wait, fear difficulty and complain, and is even very likely to be engulfed by the torrents of competition. Only when one keeps forging ahead on one's own accord and carries out reform, can one keep up with the times, gain the initiative and constantly develop.

## ECONOMIC MANAGEMENT

### GUANGZHOU HOSTS SYMPOSIUM ON TOWN, TOWNSHIP ENTERPRISES

HK051458 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 5 Dec 84

[Text] According to NANFANG RIBAO, the national symposium on town and township enterprises was held in Guangzhou from 26 November to 4 December. Taking the decision of the CPC Central Committee on reform of the economic structure as its guiding thinking, the symposium held in-depth discussions on theory and practice centered on two problems: 1) Under the new situation of urban economic restructuring, the new technological revolution around the world, and increasingly fierce competitions in the markets, what strategic ideas should town and township enterprises have? What tactics should they adopt? And 2) how can we make town and township enterprises more dynamic? How can we comprehensively upgrade the quality of town and township enterprises and raise their comprehensive economic efficiency?

All delegates held that the reform of urban economic structure has provided a broad field for the development of town and township enterprises. All localities must suit measures to local conditions, bring into full play their advantages, and take the road of specialization, large-scale commodity production, and socialization according to the principle of reasonably developing the economy so as to attain the target of investing little money yet obtaining good results. It is necessary to pay attention to business operations and management, and change enterprises from a type of production to a type of business operation. Town and township enterprises must particularly value knowledge and talented people, attach importance to exploiting intellectual resources, and rapidly upgrade the cultural and technological level of staff members and workers to meet the new technological revolution.

CSO: 4006/143



## FINANCE AND BANKING

### BANK LOANS AS SOURCE OF TECHNICAL TRANSFORMATION

OW251005 Beijing XINHUA Domestic Service in Chinese 1236 GMT 22 Nov 84

[Text] Beijing, 22 Nov (XINHUA)--Bank loans will become the major source of funds needed for technical transformation of Chinese enterprises in future. Reporters learned this from the second national meeting on technical progress in enterprises that has just closed.

Technical transformation in existing enterprises is an important basis for economic revitalization. Where will the funds for technical transformation come from? As enterprises enjoy greater self-decision powers, they will gradually increase the amount of self-raised funds, which are an important source of capital for technical transformation in enterprises. However, due to excessive debts made in the past, self-raised funds of enterprises alone are far from sufficient to meet needs.

To accelerate technical transformation, leading comrades of the State Council have clearly instructed banks to serve as the major source of capital for technical transformation in enterprises.

According to a responsible person of the People's Bank of China who attended the second national meeting on technical progress of enterprises, having the banks serve as the major source of capital is the inevitable outcome of efforts to make profound reform and enliven the economy. She said: The implementation of the economic policy of mobilizing the enthusiasm of all sectors and the adoption of the various reform measures have resulted in considerable increases in social wealth and funds; more capital will be deconcentrated and made available to society, resulting in a considerable increase in bank deposits. This makes it possible for banks to devote more funds to upgrading the equipment and transforming the technology of enterprises.

The responsible person of the People's Bank of China noted: The use of bank loans to upgrade equipment and transform technology in enterprises could help enterprises better understand the importance of the circulation of funds, of making investments in order to yield results, and of paying interest. It will help improve the economic results of technical transformation. This is better than relying on financial appropriations. Moreover, by vigorously supporting the enterprises' technical progress through the use of credits and loans, banks could also enable enterprises produce large quantities of

products needed by the market, thereby helping the early withdrawal of currency from circulation.

The responsible person noted: Using loans to support technical progress in enterprises will be the focus of banking in future. Starting from next year, banks will markedly increase their loans to enterprises in support of their technical transformation. She hoped that enterprises will make good use of bank loans, pay attention to economic results, speed up funds circulation, and do a better job in technical transformation.

CSO: 4006/110

## FINANCE AND BANKING

### ASIAN BANKING DELEGATION VISITS GUANGZHOU

HK070412 Beijing CHINA DAILY in English 7 Nov 84 p 2

[Article by staff reporter Zhang Chuxiong]

[Text] Guangzhou--The great changes that have taken place in recent years in China's rural areas have attracted the attention of Asian bankers, said Chusak Himathongkom [name as published], head of the Asian Agricultural Banking Groups Study Delegation.

The delegation--32 members representing 28 major agricultural banks of Thailand, Singapore and Malaysia--arrived in China on October 23 to study how the Agricultural Bank of China (ABC) and the Rural Credit Co-operatives (RCC) have aided farmers to develop the country's agriculture.

Chusak told CHINA DAILY that his delegation had visited Beijing, Shanghai, Hangzhou and Guangzhou. The ABC arranged tours to the rural areas of the counties under the administrative management of those cities.

Chusak noted that the ABC and RCC have granted large loans to farmers at very low interest rates but without taking undue risks. The farmers used the loans for productive activities, then deposited their surplus profits in the banks after paying off the loans.

"We have visited many farm houses in Guangdong Province and have seen that there are colour TV sets and refrigerators in most of these houses. Some of the farmers have their own tractors or trucks," he said.

J. B. Orsini, United Nations officer of the Agriculture Division of Economic and Social Commission for Asia and Pacific, came with the delegation. He said: "My colleague, John Loftus, and I talked with many Chinese farmers. They are satisfied with the current agricultural policy adopted by the government as well as the credit regulations pursued by the ABC and RCC. But they complain that they want to buy tractors, trucks and other agricultural machinery, but these things are unavailable."

Orsini said that it is an urgent task for China to develop food processing, fodder processing and agricultural machinery industries for the rural areas to meet the demands of agricultural production.

The officer said China has great potential for joint ventures with foreign countries in the field of agricultural industry.

The delegation left Guangzhou for home on Saturday. A delegation from the Agricultural Bank of China will visit Thailand, Singapore and Malaysia next month.

CSO: 4020/44

## FINANCE AND BANKING

### JINGJI RIBAO REPORTS EXCHANGE CONTROLS EASED

OW061714 Beijing XINHUA in English 1625 GMT 6 Nov 84

[Text] Beijing, November 6 (XINHUA)--The State Exchange Control Administration has decided to relax the policy on foreign exchange control over Overseas Chinese and foreign enterprises in China and Chinese foreign joint ventures, the "Economic Daily" reports today.

This is part of the efforts to accelerate the pace of introducing foreign capital and advanced technology, the paper says.

The decision allows such enterprises to sell their products to Chinese foreign trade departments or Chinese commercial and other purchasing agencies if new advanced technological processes or equipment are used in production; the products will be priced in renminbi (Chinese currency). If the products are in short supply in China, or China has to import them in large quantities, they may be sold in China and priced in foreign currencies according to quality.

Overseas Chinese- and foreign-financed enterprises and foreign-Chinese joint ventures will also be allowed to use the profits in renminbi as additional investment in their own enterprises or areas around their enterprises, and this will be treated just as investment in foreign exchange.

If these enterprises sell their products to China's special economic zones or sell each other's products among themselves, they may use foreign exchange for quoting prices and settling accounts and the Chinese investors in the enterprises will also be given preferential treatment in retaining their foreign exchange profits.

CS0: 4020/44



## FINANCE AND BANKING

### BRIEFS

SICHUAN TOWNSHIP FISCAL ADMINISTRATION--Since the beginning of this year, Sichuan Province has established township fiscal administration. To date, 85 counties and cities throughout the province have established township fiscal administration in 2,860 townships and towns or have assigned full-time fiscal workers to them. These townships and towns account for about one-third of the total number of townships and towns throughout the province. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 13 Nov 84 HK]

CSO: 4006/110

## INDUSTRY

### BRIEFS

LEATHER MACHINERY EXHIBITION--Beijing, 29 November (XINHUA)--More than 80 companies from eight countries in Europe, North America and Asia are displaying sophisticated leather products, processing equipment and synthetic materials at a 10-day exhibition which opened here today. More than 1,000 traders and factory representatives from provinces and cities throughout China are attending the show and seminars given by participating companies. About 100 million yuan (RMB) has been spent on upgrading Chinese leather factories in the past few years but the country is still able to process less than half the hides it produces, a Ministry of Light Industry spokesman told XINHUA. The exhibition will give the industry a better chance to see more advanced equipment and technology available from abroad, he added. Vice-chairman of the Central Advisory Commission and honorary chairman of the China Council for the Promotion of International Trade (CCPIT) Bo Yibo, minister of light industry Yang Bo and CCPIT chairman Wang Yaoting attended the opening ceremony. [Text] [Beijing XINHUA in English 1431 GMT 29 Nov 84 OW]

CSO: 4010/31

## CONSTRUCTION

### NI ZHIFU ATTENDS PROJECT COMPLETION CELEBRATION

SK290412 Tianjin City Service in Mandarin 0030 GMT 29 Nov 84

[Excerpts] Yesterday morning, the municipal government held a meeting at the Tanggu Gymnasium to celebrate the prefulfillment of the project on diverting Luan He river water to Tanggu. Some 3,000 representatives from the masses jubilantly attended the meeting to warmly celebrate the change that the people of Tianjin will drink salty and bitter water no longer. Responsible comrades of the municipal party, government, and army organs, including Ni Zhifu, Li Ruihuan, Liu Zengkun, Han Tianyao, Mao Changwu, Kang Tiejun, (Xiao Ziyang), Wang Jiexiang, and Lu Xuezheng, attended the meeting.

The project on diverting Luan He water to Tanggu complete and systematic urban water supply project, including drawing, transporting, purifying, and distributing water. It is one of Tianjin's key projects as well as one of the 20 major events of the municipal government this year in an effort to improve the livelihood of the urban and rural people. The first-phase project included laying a 44-km long water diversion channel with a diameter of 1.2 meters, two pumping stations, each with a charging capacity of 3 cubic meters per second, a water plant with a daily handling capacity of 30,000 tons of water, and a 24-km long water diversion network in the inner districts. This project was scheduled to be completed and put into operation by the end of the year. Thanks to the strenuous efforts of the broad masses of cadres who participated in the project with the spirit of diverting Luan He water to Tianjin, the whole water diversion project was completed 7 months ahead of schedule. This project was officially put into operation on 20 November, prefulfilling the original plan by 40 days.

Mayor Li Ruihuan spoke at the meeting. He said: Last April, we held a mobilization rally in Tanggu on diverting Luan He river water to Tanggu and decided to divert Luan He water to Tanggu before the end of this year. Now such hope has come true after 7 months. The clear and sweet water of Luan He has been diverted to thousands upon thousands of households in Tanggu district. As of now, the Tanggu people's long history of drinking salty and bitter water has ended. This is really a major happy event worthy of celebration. On behalf of the Tianjin Municipal CPC Committee, the municipal people's congress standing committee, the municipal government, and the municipal CPPCC committee, as well as all the people of Tianjin, I extend warm greetings to the people in Tanggu district, and highest respect and heartfelt thanks to

all constructors, leading comrades at all levels who have participated in organizing and directing the project, and all comrades who have contributed to the project.

Ni Zhifu, Li Ruihuna, and other municipal leading comrades presented banners of citation to 46 units which had participated in, supported and contributed to the project of diverting Luan He water to Tanggu.

CSO: 4006/110

## CONSTRUCTION

### VILLAGE, SMALL TOWN CONSTRUCTION MAKES HEADWAY

OW241408 Beijing Domestic Service in Mandarin 1200 GMT 21 Nov 84

[Text] Construction of Chinese villages and small towns has been directed from spontaneity onto an orbit of guided and pre-planned healthy step-by-step development and is now unprecedentedly prosperous. This was learned by our correspondent (Xu Yongqing) from the ongoing national forum in Beijing to exchange experience in the construction of villages and small towns.

Peasant houses totaling over 2.8 billion square meters in floor space were constructed in the country's rural areas from 1979 to 1983, with investments from peasants in this project reaching more than 70 billion yuan. During these 5 years, the living space of every peasant increased an average of nearly 4 square meters, and the quality of these houses has been improved. Most of the living quarters built in the country's rural areas are brick and tile-roofed houses; the number of buildings of two or more stories with prefabricated concrete parts is also increasing. Construction of public facilities in the rural areas is also booming. Public buildings and production facilities constructed in the countryside last year reached 104 million square meters in floor space, a record high figure. Large numbers of health centers, commercial outlets, industrial plants, cultural centers, libraries, movie houses, and theaters were built. The total length of rural highways is now more than 600,000 kilometers, reaching more than 90 percent of villages and over 80 percent of central villages. Construction of water supply and electric power transmission lines has also been accelerated. With planning of villages and small towns conducted on a nationwide scale, about one-third of villages and small towns in the country completed their preliminary construction plans last year.

CSO: 4006/110



## DOMESTIC TRADE

### METHODS OF SETTING RATIONAL PRICES PROPOSED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese  
No 7, 20 Jul 84 pp 48-50, 27

Article by Hu Jinxiang [5170 6651 4382] of the CPC Nantong Municipal Party Committee School, Jiangsu Province: "Work out Rational Prices for New Products To Promote Technical Progress")

[Text] One of the important tasks in the restructuring of our economic system is to work out rational prices for new products in order to accelerate technical progress. To promote the production of new products, we must attach great importance to the use of prices as a lever in creating and developing new products, in popularizing their use and in promoting technical progress. This article will present some tentative views on the effects of new-product prices on technical progress and deal with the problems of the principles and methods in setting these prices.

#### Existing Problems in Pricing Present New Products

One of the roles of pricing is to promote technical progress. The prices of new products have an important regulatory effect on their trial production and on the mastery, adoption and popularization of new technologies and new techniques. Irrational prices, either too high or too low, will handicap technical progress.

At present, the development of new products and the popularization of new technologies can be affected by their prices mainly in the following ways:

First, the prices of new products usually will not benefit both the consumers and the producers. In the stage of trial production, the expenditures will be fairly heavy and the production costs high. If we consider the interests of the consumers, the prices should not be high; otherwise they will not be easily accepted by the consumers, and nobody will buy the new products. If we lower the prices for the consumers' benefits, the producers may find it more profitable to produce old rather than new products. Low prices will dampen the enthusiasm of the producers and make it difficult for the new products to be mass-produced.

Second, because of the irrational price disparity between new and old products will not be as attractive as those from old products. Socialist enterprises are relatively independent economic accounting units. In the past, all their profits were turned over to and their losses were subsidized by the state. There were no bonuses, and everyone was "eating from the same pot" with no thought for economic accounting. Since the 3d Plenary Session of the 11th Party Central Committee, the decision-making power of the enterprises has been gradually expanded. The systems of profit retention and bonuses were introduced, and consideration for the interests of the state, the collectives and the individuals has raised the morale of the broad masses of workers. Generally, new products yield less output value and fewer profits than those of old products. Reduced profits mean fewer retained profits for the enterprises and correspondingly reduced welfare and bonus funds. If appropriate measures are not taken, it will unavoidably affect the morale of the enterprises producing new products.

Third, the trial production of new products calls for high expenditures, high production costs and consequently higher prices. New products generally go through the process of trial production and small-scale production before mass production. In this process, many trial-production expenditures are incurred. How will these expenditures be accounted for? Should they be absorbed in their prices? This is an important question for the enterprises undertaking trial production. If these expenditures are not included in the price, and there is no subsidy from other sources, the enterprise will find it difficult to proceed with trial production. On the other hand, if these expenditures are included in the price, then the new products will be sold at much higher prices. They will not be extensively used even after their successful trial production.

Fourth, there is some confusion in the control of new product prices. The documents concerning the expansion of decision-making power for the enterprises stipulate that tentative selling prices of new products be set by the experimental enterprises according to the market prices of similar products. To encourage the undating of products and to help popularize the use of new products, some central industrial departments in charge have also ruled that the production enterprises under them have the right to set the tentative wholesale prices of their new products during the trial periods. There is obviously a big difference between these two rulings on the rights to set new product prices. One of them applies only to experimental enterprises, the other to all the affiliated enterprises. Should this situation continue indefinitely, even greater confusion will be created in the control of these prices.

We have problems other than that of prices in developing new products. However, the problem of prices for new products is one of the main factors in developing new products.

#### Principles for Pricing New Products

In setting prices for new products, we should carry out the principle of assisting the enterprises in the vigorous development of new products in order

to speed up the updating of old products and to popularize the use of new products for better economic results. This principle calls for a rational distribution of the economic benefits from the new products among the producers and the consumers. The prices of new products can be neither too low nor too high. If they are too low, the enterprises cannot be compensated for the labor expended in production (or trial production). In other words, the sales of these new products will not bring enough profits to cover the production costs and sales taxes. These prices will adversely affect the enterprises' economic results and will not induce them to develop their new products actively. They will also hinder technical transformation in all sectors of the national economy. Conversely, if the prices are set too high, they will reduce the consumers' economic benefits from the use of the new products and thus affect their popularization. It will then be difficult to end the backwardness which has been in existence for decades in production and will be harmful to technical transformation in all the national economic sectors. This should be the general principle guiding the pricing of new products and must be upheld. However, in view of the diversified conditions in production, we should formulate different concrete policies of pricing to suit these diversified conditions, provided they are useful for technical transformation.

#### 1) Ensure the Necessary Profit Rate for the Enterprises That Produce New Products

There is a direct relationship between the profit rate for the enterprises producing new products and the prices of these new products. The profit rate for new products which concerns the enterprises cannot be lower than that for the old products; otherwise there will be no material incentive for the enterprises to produce new products. However, if the rise in the profit rate depends on jacked-up prices, then these prices will hamper technical transformation. Furthermore, the consumers are unwilling to buy new products at high prices.

#### 2) Ensure Certain Economic Benefits for New-product Consumers

In addition to the advanced features of the new products, the consumers also consider the element of prices before buying them. They will buy them if the prices in terms of productivity and other major technical parameters are better than those of old products and if, at the same time, they can find compensation for their expenditures during the first year of use and can be sure of obtaining the same or even greater benefits. Therefore, the consumer is concerned with the new product's superiority as concretely manifested in higher labor productivity, fewer wages and other expenditures, lower material and energy consumption, longer service life, greater dependability and more savings in major repairs and other running expenses. If the new products do not yield better economic results than those of old products, the consumer may not buy them even though their prices are the same as those of the old ones. However, if the consumer can obtain a certain or even a great number of additional economic benefits, he will be concerned with technical innovation and support the use of new products.

### 3) Set up New-Product Development Funds

In order to implement the general principle of pricing new products in the interests of both the producer and the consumer, we must assist the enterprises producing new products in solving problems in the following areas: (1) trial-production expenditures; (2) the excess of the actual production cost over the selling price during the periods of trial production and small-scale production; (3) the effects of trial-producing new products on the fulfillment of output value and profit quotas and the resultant decrease in profit retention for the enterprise and bonus funds for the workers; and (4) compensation for expenditures in purchasing patent rights or importing foreign technologies. These problems exist in all enterprises to varying extents. Unless they are satisfactorily solved, the enterprises trial-producing new products will continue to incur losses along with their continued trial production. This will certainly dampen their enthusiasm in developing new products and will retard technical progress. In the past, the departments concerned have dealt with these problems through the appropriation of trial-production funds, inclusion of these expenses in selling prices, reduction or remission of taxes and similar measures, but the effect was very small. Therefore, I feel that a "new-production development fund" should be set up. Varying proportions of this fund should be set up at various levels from the central to the local authorities and the departments in charge, to be used for meeting the expenditures of each department in scientific research, designs for experiments, technical work, planning and other incidental expenditures. It will also be used to compensate the affiliated enterprises and the cooperating enterprises for their expenses in planning the production of new products and other incidental expenditures. The state will use the funds for the trial production of brand-new key products on a national scale. All provinces, municipalities and autonomous regions should also set up this fund to help in reproducing new products. There are three sources for the new-product development fund: first, appropriations from the trial-production funds in the financial budget; second, appropriations from the enterprises' profits in the form of new-production development taxes; and, third, interest-free or low-interest loans from banks in suitable amounts. This fund will help meet the high expenditures incurred in the course of trial production or small-scale production, prevent the jeopardy to sales from high prices and reduce the revisions of prices for new products. On the whole, this fund will spare the enterprises the worry over the prices of new products by keeping the trial-production expenditures and the excess of actual production costs out of the selling price as much as possible.

### Methods of Setting New-product Prices

In terms of the degree of innovation, new products are of two types, namely, brand-new products and their imitations. Since there are varying degrees of innovation, the methods of pricing new products should also vary accordingly.

## 1) Price-comparison Method for Pricing Reproduced New Products

The so-called price-comparison method means the way to set the prices of new products after comparing their value and use value with those of similar current products and after determining their technical and economic parameters. According to this method, we must not only compare the consumption of labor and the economic benefits but also consider the production and use of these products and then work out the prices that can correctly reflect the amount of socially necessary labor expended on them. The amount of labor to be used for comparison can generally be obtained through direct calculation. For calculating the economic benefits, however, we must set the necessary standards. The following tentative indexes may be used in evaluating these economic benefits: first, the increase in labor productivity; second, the relative savings in wages; third, the rate of increase in profits including the savings from lower production costs; fourth, the relative savings in raw and semifinished materials and fuel; and, fifth, the relative number of workers to be set free for other jobs.

In using the price-comparison method, we must first choose the basic products that can be easily compared. Reproduced new products are used in the same way as are old products of the same kind. It is only the different major technical and economic parameters (such as the tractor's capacity, speed, hauling power and energy consumption) that enable the new products to meet some specific requirements. The prices for this type of new product must be determined according to the changes in the technical and economic parameters and on the basis of a comparison with the prices of similar current products. The basic products to be selected for comparison must be of an advanced type so that the prices of new products can serve to promote technical progress. Then we must examine and decide whether the prices of these new products will be acceptable to the consumers. The prices must be rational before the consumers can afford to use them.

## 2) Use of Unprofitable Prices for Brand-new Products

Brand-new products refer to those which have never been produced in the country, and their prices cannot be determined by the method of price comparison. In the past, the trial-production costs with the addition of a 5-10 percent profit margin were used in our country as provisional prices for new products. Although the production costs later went down in regular production, these prices remained unchanged, and the provisional prices became "preferential prices." This method of pricing usually gave rise to certain problems. First, in an effort to set higher prices for higher profits, some enterprises and departments in charge listed reproduced new products as brand-new products. Second, the provisional prices were usually set too high, since they included some of the trial-production expenses, and the production costs were only the projected costs of the enterprises instead of the social production costs or the actual production costs. These high provisional prices were disadvantageous to the marketing of brand-new products. Third, when the production costs were lowered along with increased output in mass production, the enterprises and the departments in charge usually resorted to stalling tactics to prolong the use of these



prices. To solve these problems it is proposed that the method of unprofitable prices be adopted in the initial period production. In other words, the prices of brand-new products should be based on the cost of their regular production with the addition of the average profit margin in each department. This method of pricing will certainly result in losses for the enterprises producing the new products in the first several years. These losses will be compensated partly by the increased profits from the lower production costs later on and partly by a subsidy from the new-production development fund. However, the subsidy must be calculated at fixed periods according to the quantities of new products produced, and the subsidy generally should last no longer than 2 years. The use of unprofitable prices for brand-new products will not only help overcome the abnormal phenomena in pricing but also prompt the production enterprises to lower their production costs. It will also be easier for the consumers to accept these prices which are not too high even at the time when the brand-new products first make their appearance.

### 3) Use of Two Prices for Outdated Products

When outdated products are still highly profitable, their wholesale prices may be reduced. In order that the enterprises producing them will not have any unfair financial or other advantage, and to encourage the consumers to replace their outdated products with new ones, it would be best to use two prices, namely, reduced wholesale prices and the same retail prices. The gains from the difference between these two prices will be turned over to the state. The use of two prices will compel the production enterprises to stop turning out outdated products and encourage the consumers to use new products. By this means, the possibility that reduced prices for these products will increase the consumers' demand for outdated products can be avoided. We were not sufficiently aware of this problem because we only lowered the prices as a means of compelling the enterprises to stop the production of outdated products, but overlooked the increased demand for these products by the consumers. The enterprises are now undergoing technical transformation. Some of them are more willing to buy outdated products rather than new ones. If old technical equipment is used to replace old technical equipment, the speed of technical transformation will be reduced. From this, we can see the necessity and urgency to use two prices for outdated products.

## DOMESTIC TRADE

### FUZHOU SAID IMPLEMENTING REFORM

Fuzhou FUJIAN RIBAO in Chinese 19 Sep 84 p 2

[Article by Yang Futian [2799 4395 3944]: "Using Money To Make Money, Opening up the Source of Revenue: Chengdu Financial Departments Increase State Revenue by Supporting and Developing Production"]

[Text] By emancipating their minds and supporting the development of production with financial resources on their own initiative, the financial departments in Chengdu City have achieved notable results in increasing state financial revenue by giving out money first and getting it back later.

Early this year, the financial departments in Chengdu City were facing a very contradictory situation while discussing financial work. On the one hand, the city was in financial straits and was having difficulties. On the other hand, a number of enterprises and other economic units were in urgent need of funds to develop production. Analyzing the financial and economic relations, they realized that they must set their minds to reform the outmoded concept of financial management and make available a portion of their financial resources for the benefit of the enterprises and the districts and counties under their jurisdiction so as to arouse their enthusiasm for developing production and to raise economic results before they can open up the source of revenue and basically improve the financial situation. To this end, they adopted a series of profit-yielding measures which included increasing technical transformation funds for large and medium-size state-operated enterprises under the city, decreasing the amount of tax payable by a number of small state-operated enterprises and units under the collective economy and raising the ratio of distribution for subordinate districts and counties with regard to the portion of income earned in excess of the plans.

According to the estimates of the departments concerned, by adopting these measures the city is expected to lose 5 million yuan in revenue this year. However, by so doing, it actually helped provide the necessary financial resources to enterprises and other economic units and strengthen their capabilities and motive force in developing production. As a result, with other factors playing a role, the financial revenue has increased rather than decreased. During the first half of this year alone, it registered an increase of over 73.7 million yuan over the same period of last year or an increase of 17.7 percent, marking the highest increase in various large and medium-size cities throughout the province.

## DOMESTIC TRADE

### RENMIN RIBAO ON INCREASED RURAL CONSUMER DEMAND

OW271224 Beijing XINHUA in English 1210 GMT 27 Oct 84

[Text] Beijing, October 27 (XINHUA)--Demands for various types of machinery in the Chinese countryside this year will go up by anywhere between 38 percent and 82 percent, according to a sample survey, China's leading newspaper reported today.

High on the list of the machines needed are small tractors, diesel engines, fodder crushers and equipment for rural industries and side-line undertakings, the "People's Daily" said after analysing a survey of some 20,000 peasant households in 25 provinces, municipalities and autonomous regions.

The paper attributed this sharp rise to the growing trend of specialization, the setting up of more economic associations of various descriptions and the expansion of industries in the rural areas.

With more income in recent years, Chinese peasants are now demanding more and more woolen and silk goods as well as leather shoes, which were not on their shopping lists in the past.

Bicycle, sewing machine, radio and wristwatch, the "old four big pieces," as they are known in China, remain fast sellers. But the demand for the "new four big pieces"--television, tape recorder, washing machine, electric fan--and other household electrical appliances is much greater, the newspaper noted.

Compared with last year, the paper added, sales of TV sets will go up by 75.8 percent; tape recorders, 56 percent; electric fans, 165 percent; and washing machines, 480 percent. Refrigerators have begun to make their way into peasant households.

In an accompanying commentary, the paper said that about 60 percent of the commodities produced for the domestic market are sold in rural China, which has a population of 800 million, and with the growth of the rural economy, the percentage is sure to continue to rise.

By the end of July, the paper noted, individual peasant bank deposits had come to 43.4 billion yuan, and the peasants also have more cash in their pockets.

They should be encouraged to spend their surplus money appropriately so as to improve their living conditions, the commentary said.

The paper called for increased production and improved channels for supplying goods to the rural areas.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### METHODS OF RESTRUCTURING FOREIGN TRADE SYSTEM EXPLORED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 7, 20 Jul 84 pp 7-10

[Article by Zhu Naixiao [2612 0035 5135] of the Huanan Teachers University: "Effective Ways To Restructure Our Foreign Trade System Explored"]

[Excerpts] Socialist foreign trade is an important component of a socialist country's economic relations with foreign countries. Since the 3d Plenary Session of the 11th Party Central Committee, the restructuring of our foreign trade system, like that of the national economic system, has resulted in many achievements. However, some problems also exist. In order that the restructuring can proceed smoothly, we must proceed from our national conditions and look for an effective way of restructuring the foreign trade system.

Restructuring the foreign trade system involves many problems which are also very complex. Two contradictions are striking: first, the contradiction between coordinated action in dealing with foreign countries and the mobilization of initiative in various quarters; and second, the contradiction between the planned economy at home and its adaptability to the international market. Because of limited space, I will confine my discussion to the first contradiction.

Restructuring the foreign trade system which is under a highly centralized administration will inevitably touch on the question of how to handle the contradiction between centralized leadership and decentralized business operations.

In my opinion, centralized leadership and giving play to the initiative of localities should be two inseparable facets of the state monopoly system in socialist foreign trade. In 1921, while strongly advocating a foreign trade monopoly, Lenin also pointed out: "To facilitate trade transactions with foreign countries, we should reorganize the People's Commissariat of Foreign Trade in such a way that the relevant departments in charge have the power to make independent contacts and sign and honor agreements with foreign countries." From this, we can see that a foreign trade monopoly does not mean a monopoly over all national trade by a single foreign trade company. The crucial question is how to interpret the essential spirit



of the theory of foreign trade monopoly. In my opinion, centralized leadership and decentralized business operations can proceed in harmony.

In macroeconomics, the planning, orientation and speed of developing foreign trade as well as the principles of pricing and the policies in dealing with individual countries should be formulated under the principle of unified planning, unified policies and the coordinated action of the state in foreign relations. In microeconomics, the localities should be given certain decisionmaking powers in using its own strong points to advantage and in developing their own traditional commodities for export so that their initiative can be brought into play. Therefore, I believe that in macroeconomics, the state should exercise centralized leadership, while in microeconomics, the localities should carry out decentralized operations. This should be an effective way to guide the restructuring of the foreign trade system on the path of centralization without rigidity and flexibility without chaos."

Then, after the expansion of the localities' power of management during the restructuring, why should there be competition among ourselves resulting in benefits for foreigners? With this question in mind, I visited the Guangdong Provincial Foreign Trade Bureau, the Special Foreign Trade Company, the Integrated Industry and Foreign Trade Company, the Xinshidai [New Age] Trading Group and the Wushi Electronics Industry Company. Most of the comrades, who had had years of experience in restructuring, agreed that one of the main causes of the "internecine strife resulting in benefits for foreigners" was the overlapping operation for the same commodity.

Let us take cotton cloth as an example. Cotton cloth is our traditional export commodity. It is of many varieties, is exported in huge quantities and has very sensitive prices. We had only 6 coastal ports in the past, but now the number of these ports has been increased to 27. As we know, the international market is different from the domestic market. In the domestic market, more enterprises producing the same commodity will bring about healthy competition resulting in lower production costs, better product quality, faster technical progress and finally greater benefits for the state and the people. Such is not the case with the international market where the commodity prices are subjected to economic laws. When our cotton cloth rushed into the international market from all the coastal ports, the excess of supply over demand brought about a price drop which was further aggravated by cut-throat competition among some coastal ports. This competition on the international market could only hurt the state and benefit the foreigners. On the Hong Kong market alone, the price of our exported dacron grey was slashed by 15-20 percent.

Let us now take diesel engines as another example. In the past, only one company in Guangdong sold this product, and now there are three companies in the same business (including two industry-foreign trade companies). Because of their overlapping operations and in the absence of a unified price, the diesel engines of these three companies were locked in a "melee" in Thailand's market with the result that the Thai government had to ban their entry by stopping the issuance of import permits. (Later, imports from a few sales agents were permitted.) Thus, we lost a traditional market.

From these two examples, we can see that unless overlapping operations are stopped, there will be no way to stop competition among ourselves which can only benefit the foreigners, or to carry out the smooth restructuring of the foreign trade system. Therefore, in the course of restructuring, the administration of foreign trade must keep pace with the march of time so as to ensure that "decentralized operations" will proceed along the path of "centralized leadership." Therefore, I will make the following proposals: First, single items of traditional commodities for export in large numbers can be handled by the specialized production departments so as to bring into play the initiative of these departments, while the other commodities can be exported by the foreign trade company or industry-foreign trade company exclusively. Overlapping operations must be positively prohibited. Single items of traditional commodities in large quantities should be directly exported by the specialized production departments, because of their unique varieties, large volume of transactions and their fairly concentrated production in almost all seasons. This way of exporting suits the special characteristics of these commodities, and it will be easier to coordinate their production with their marketing. For example, petroleum can be exported by the petroleum department, coal by the coal department, ships by the shipping industry corporation and so forth.

The other commodities should be strictly classified according to their spheres of business operations and be exported by the foreign trade companies or the industry-foreign trade companies exclusively. If cotton cloth is to be exclusively exported by the foreign trade company, then the textile company will not be able to sell it abroad. Again, if the industry-foreign trade company is authorized to export diesel engines, then it should be free to export all diesel engines no matter whether they are made by the First Ministry of Machine Building, the Eighth Ministry of Machine Building or the farm machinery system. This means monopoly in "decentralized operations" which will help prevent the interecine strife caused by multiple authorities and the "struggle between the snipe and the clam resulting in the fisherman's gains, which would weaken the country and hurt the people. Therefore, a reclassification of commodities along departmental lines is urgently needed.

As for those commodities now being exported in overlapping operations, it will be difficult to reclassify them in a short time to be exported by the proper department. However, instead of leaving them alone, we should form "commodity associations" or "commercial associations" according to the categories of commodities so that the companies now doing overlapping business can be combined in dealing with foreigners. This method will also help to streamline the relationships among the companies, strengthen the administration and enable them to reach agreements on such problems as the prices and quantities of commodities and their sales territories. This can only be a form of transition to centralized administration; the final goal is the elimination of overlapping operations and the enforcement of unified exports.

If we take a broad view of the world's economic situation and the development of international trade, it will not be difficult to see a growing trend toward centralization and monopoly. For example, U.S. grain, Canadian wheat and

Australian wool are all exported under a state monopoly. This shows the great efforts of many capitalist countries in strengthening their control over foreign trade by setting unified prices for their overseas sales. The coordinated actions of capitalist countries in their foreign business dealings indicates that such actions conform to the objective laws of foreign trade development and that these laws are independent of people's will. We can only follow and make use of them in restructuring but cannot violate them, otherwise we will be punished.

Second, we must quickly introduce effective foreign trade laws. Lenin attached great importance to the position and role of law in the economy and that was why as soon as Soviet political power was established, he announced the "nationalization of foreign trade" in the form of law, and any person disrupting the monopoly of foreign trade would receive "legal sanctions." Thus, the position of monopoly of foreign trade in a socialist economy was legally recognized and this law became a powerful weapon in safeguarding the normal functions of the foreign trade department.

Although there were in our country certain commercial laws and regulations on trademarks and patent rights in the past, we have never had a set of effective foreign trade laws. The quantity of commodities for export was very small in the 1950's and this "defect" was not brought to light. Then, under the poundings of the Cultural Revolution in the 1960's and 1970's, our exports declined along with the reduction of coastal ports and varieties of goods and the great centralization of power. This "defect" still remained unnoticed. In recent years, along with the restructuring of the foreign trade system, the number of export units has greatly increased and in Guangdong alone, the number of these units has increased from some 20 to more than 80. The central authorities have also extensively delegated their power to the lower levels without, however, the necessary legal guarantees and administrative measures. Therefore, this "defect" has become very prominent. That is why the introduction of a set of foreign trade laws that are suitable for our national conditions has become an urgent need of the moment.

International trade demands that we not only regulate our relations with other countries in trade and other related fields--such as transportation, insurance, settlement of accounts and financial loans--and protect such industrial properties as trademarks and patent rights but also regulate the relations between different export companies that have the status of legal entities, clearly define their functions and the scope of their authority and legally prohibit overlapping operations in our country. Since the violators of foreign trade laws will be held legally responsible, such laws can provide dependable protection for the development of foreign trade.

Third, we should further improve the system of import-export permits. This system is not only a concrete embodiment of the monopoly of foreign trade but also one of the effective measures of enforcing centralized administration. Proceeding from their own national interests, many capitalist countries in the world have adopted the import-export permit system, including the quota system, for the purpose of protecting their own industry and

domestic market. However, all capitalist countries like to promote exports, and that is why they are generally fairly strict in the control of imports and fairly lenient in the control of exports. Only for certain economic reasons will some countries restrict their exports. For example, Thailand has adopted a system of export permits for timber because of, first, the scarcity of timber resources in the country and, second, the need to protect its timber-processing industry. Some countries may also ban the export of certain commodities for political reasons. For example, the United States has enforced the permit system for the export of sophisticated computer technologies and banned such exports to China. From this, we can see that the system of import-export permits has become a powerful weapon for the monopoly capital of all countries to protect their own interests.

We have always used the permit system in foreign trade as a means of controlling imports and exports. At present, more than 100 types of commodities in our country are under the export permit system. There are two basic principles behind this system: first, to protect our own economic interests, the quantities for exports of 48 different commodities including rare metals, pig iron and petroleum by-products which are in short supply in the country are strictly controlled, and export permits for them are issued only according to the export plan worked out by the economic and foreign trade departments. This system has effectively protected the supply of these materials on the home market and promoted the smooth progress of domestic economic construction. Second, to facilitate centralized administration, 54 different traditional commodities including drawn work, medicinal herbs, resin, cinnamon and lichi, which are under multiple and overlapping managements, require export permits. This will protect our traditional commodities' competitive power on the international market and ensure the stability of export prices and quantities.

These two principles have played very useful roles in stabilizing our imports and exports. However, along with the development of foreign trade and the establishment of many industry-foreign and agriculture-foreign trade companies, the original permit system should be improved and expanded.

On the whole, as long as we clearly understand Lenin's thesis concerning the monopoly of foreign trade, and continue our exploration and study during the restructuring of the economic system, we can certainly create a new socialist foreign trade system that is suitable for our national conditions.

## FOREIGN TRADE AND INVESTMENT

### FRENCH AMBASSADOR TO CHINA ON TRADE ISSUES

Beijing GUOYI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 84 pp 20-21

[Interview with Ambassador Charles Malo, French ambassador to China, by correspondent Zong Ruiyu [1350 3843 3768]: "European Economic Community Gives High Regard to Premier Zhao Ziyang's European Visit"; date and place not given]

[Text] [Question] It has been 9 years since China and the EEC established relations and this year France is serving as chairman of the EEC. Mr Ambassador, how do you regard Sino-EEC relations?

[Answer] We are very happy that Sino-EEC relations have greatly developed in the past several years. Mutual contacts and visits at the very highest levels have increased. For example, Mr Gu Mu, Ms Deng Yingchao, Ms Chen Muhua and Mr Chen Pixian visited Western Europe in 1978, 1980 and last year. From the EEC, Messrs (Hafei erkanpu), (Dawelyi) and (Tuoen) visited China in 1978, 1982 and last year. Most recently, the European parliamentary delegation headed by Ms (Deyushen) visited China. The number of agreements signed by both sides has also increased. China and the EEC concluded a trade agreement and then a textile trade agreement. A protocol agreement was recently initialed on the same date extending it for 5 years. The EEC has given China generalized system of preference [GSP] treatment. We have noticed that Sino-EEC trade has almost tripled. Bilateral technology exchange has expanded and the composition of two-way exchanges is broadening day by day.

In April of this year China and the EEC for the first time established political consultation relations. The meeting between Foreign Minister Wu Xueqian and the chairman of the EEC's board of directors in this period suggested a prelude to bilateral dialogue. In June of this year, when your premier visits Europe, he will continue this kind of dialogue at the head of state level.

The above circumstances demonstrate that both the PRC and the EEC give high regard to their relations and show great mutual concern. At the same time this also shows their common aspirations to promote such relations.



[Question] The EEC falls just behind Japan as our trading partner. In the past several years efforts have been made to expand our trade with the EEC by the list of liberalized commodities, quota goods and GSP treatment. What do you foresee for the future?

[Answer] In recent years much has been done to liberalize trade. At the same time, we have seen with satisfaction that discussions over textiles were fully concluded by the end of March. We have had no disagreements between us.

At present it is of particular importance to offer better information to EEC officials at every level, to move and convince them to support present trade exchanges and to seek new ways to continue to cultivate cooperative relations.

Concretely speaking, we must adopt various formulas (some have already been adopted). For example, we can increase visits of an investigative nature by trainees, administrators and responsible enterprise personnel, and they could do what we have already twice done, that is, they could explain the GSP system to our Chinese friends. We can also bring specialists like veterinarians, translators, statisticians and other professionals who deal with trade on a daily basis. Or we could arrange trade promotion activities and introduce the potential and hope for starting ties between enterprise delegations and buyers to the other side's specialists and the public in an even better way.

Also, in energy and technology initiatives, it is both possible and necessary to adopt some measures. The EEC is willing to continue energetically to bring initiative into play, while never neglecting to determine concrete methods for the success or failure of the above activities.

[Question] Since 1979, when we promulgated the important policy of using foreign capital in order to speed up our socialist modernization construction, we have warmly welcomed businessmen and financial organizations from all countries to invest in China directly, via joint investment or independent investment methods. Today, how do Western European members of the EEC regard this, and how do you, Mr Ambassador, regard this?

[Answer] The EEC pays extremely close attention to the various methods and efforts made by the PRC in order to establish a firm foundation for foreign firms to carry out economic and financial cooperation. Without a doubt the EEC decision makers have noted with interest certain decisions recently made by the Chinese government, such as the laying down of joint venture regulations and the patent law to protect patents. They are also closely watching the negotiations currently being held between the governments of the PRC and of several European countries on such questions as agreements concerning taxation or the promotion and protection of investments. All of these areas have problems as a matter of course, and they can only be gradually resolved.

However, it may be going too far to say that "there have been few" agreements or projects signed by Common Market countries and enterprises. Of course, there are still no accurate statistical data; nevertheless, my feeling is that European businesses already have shown a highly positive attitude. To prove this point, I only have to bring up the areas of hydrocarbons and banking, which have many projects. Regarding the future, I feel that more delegations visiting China and establishing representative offices will dispel doubts regarding the further development of cooperation with this country.

[Question] Our country has 400,000 small and middle-sized enterprises that are awaiting technological transformation. The EEC countries' industries are developed and their technology is advanced. What measures does the Ambassador believe should be adopted on both sides to speed up cooperation in these areas in the future?

[Answer] This certainly is a rather exceptional as well as new style of cooperation. Each member country of the EEC will study certain specific projects independently and set forth suitable proposals. For the EEC itself, we can consider work in two areas, that is, in certain very specific projects we can provide financial support. We may grant aid particularly for technology transfers. With regard to the first area, I would like to point out that in 1983 for the first time the EEC provided China with 6 million European currency units, mainly to be used in the agricultural and food-processing industries. In the second area, the EEC has helped Chinese enterprise personnel go to Europe and explore technical cooperation possibilities in certain areas. Last year, the EEC also decided to establish in Peking an enterprise management training center, and through specialized schools (especially English, French, German and Italian) it is helping to train future Chinese personnel to manage enterprises, making these future managers develop important roles in the modernization of their respective enterprises.

[Question] In order to speed up our socialist modernization we established several special economic zones (SEZ). Mr Ambassador, what do you think of them?

[Answer] The establishment of the SEZ's is an event of major importance. I myself have visited a few special zones. The speed of the establishment and development of these SEZ's have impressed us deeply. The EEC firms are clearly interested in them and many firms have already decided to study the possibility of establishing factories there. Their decisions depend on the conditions that observe regarding the economic and trade circumstances of each project. At the same time, these decisions to a great extent must consider the advantages given and the guarantees offered by China's departments to realize their respective projects.

[Question] Mr Ambassador, thank you for this talk. Is there anything you wish to add?

[Answer] I would like to add something regarding Western Europe's reaction to your premier's visit. You know when your foreign minister, Wu Xueqian, recently visited France, this was the first time that China had established ministerial-level contacts with the EEC. The visit of your premier in late May and early June will take ministerial-level contacts to an even higher level because he wants to hold talks with France and the EEC and afterwards he will go to Brussels to meet with the EEC authorities. Premier Zhao Ziyang's EEC visit will be a major event for China and the EEC. I would like to emphasize that the visit of your premier to Europe, in Europe and especially in France, is already recognized for its importance. French President Mitterand told Mr Wu Xueqian this April that he wanted to make thorough preparations to assure the visit of your premier. The EEC will give it the highest regard. I believe President Mitterand's words represent the thinking of the leaders of the 10 governments of the EEC.

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## FOREIGN TRADE AND INVESTMENT

### SINO-EEC TEXTILE TRADE AGREEMENT DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 84 pp 24-25

[Article by Chen Zhesheng [7115 0772 3932]: "A Mutually Beneficial Cooperative Trade Arrangement: The Sino-EEC Textile Trade Agreement"]

[Text] On 29 March 1984 in Beijing, Li Dengshan, the head of China's delegation and deputy director of the Foreign Trade Administration Bureau, Ministry of Foreign Economic Relations and Trade, and (Langge), the EEC's delegation chief, initialed a protocol to extend the 18 July 1979 PRC-EEC Textile Trade Agreement until the end of 1988. After 11 months and five rounds of negotiations, both delegations proposed a positive arrangement covering bilateral textile trade for the next 5 years.

Although the 11 months of negotiations were rather long, both sides throughout carried out discussions with an attitude of friendly cooperation and mutual understanding and in a calm atmosphere dealt with each problem and found solutions acceptable to both sides. In evaluating this agreement, delegation chief (Langge) pointed out that the decision of both sides showed that the EEC valued its special relations with China and valued the special nature of the bilateral textile trade agreement. The decision by both sides was a positive factor in developing future economic and trade relations between China and the EEC.

The 5-year Sino-EEC Textile Trade Agreement concluded in July 1979 was a unique, mutually beneficial agreement. It was negotiated and concluded based on the spirit of equality and mutual benefit of the PRC-EEC Trade Agreement signed in 1978. Aside from trade rules for certain textile articles in the general two-way textile trade agreement setting limits on quantities and annual growth rules, and procedural rules for discussing temporarily unrestricted textile goods as well as the cooperative management of both sides' exports and imports, it also includes pledges by China to import textiles to the EEC, to guarantee against shortages of supplies of raw materials to European textile industries, such as raw silk, wool and rabbit fur, and special provisions to give priority to European textile industries to supply grey cloth. Thus, it goes beyond the scope of a general textile trade agreement and has the quality of industrial cooperation.

When the 1979 agreement was concluded, among the 14 EEC quotas in the EEC's rules for goods exported from China, 75 percent were limitations on cotton yarn, cotton cloth, chemical fiber cloth, cotton flannel and artificial cotton cloth, of which, grey cloth accounts for a majority of the limitations on cotton cloth, chemical fiber and artificial cloth; these are semi-finished goods needed by the European dyeing and clothing industries. China's exports of clothing to the EEC are limited to less than 10 percent of the entire quota. This represents just over 2 percent of the EEC's total clothing imports; not only is this far below the main suppliers but it is also lower than the quotas of many minor suppliers.

Since 1979, trade in textiles between China and the EEC has developed and the quantity of textile goods exported from China to the EEC has had a relatively large increase. However, the export mix is entirely composed of semi-finished goods. Whenever China's exports of finished goods increase from a very low baseline, they are restricted by "out-basket standards," and the EEC sets quotas through talks, making it impossible for China to increase further. We should point out that in the past 5 years EEC authorities held over 50 "out-basket" discussions with China, implementing unprecedented and serious controls and limitations on Chinese textiles. No doubt this is because European textile industries face difficulties, but to put limits on China's low level of exports cannot help making people feel that the bad influence of protectionism still exists. Despite this, China has taken a stand of strictly abiding by the obligations of the agreement and is conscientiously performing each duty in the agreement's regulations. According to the rules of the agreement, China's supplies of raw silk, wool and rabbit fur and the quantity of semi-finished goods supplied to Europe's dyeing and clothing industries have exceeded the level agreed upon. Because the quality of China's cotton cloth is especially good, the high quality of European industries' processed goods is guaranteed and is beneficial to the marketing of European goods.

The decision by China and the EEC to extend the 1979 agreement was due to the willingness on both sides to preserve the agreement's unique mutual benefits. In May 1983, when the Chinese began preparatory talks, China's stand was proclaimed. This was, on the one hand, that both sides should create a sound category for future textile trade. On the other hand, both sides should look into the other's difficulties and make efforts to avoid making additional difficulties for the other side. The Chinese delegation clearly stated that the EEC textile industries' problems were primarily due to internal factors and the predicament of the Western economies. China's textile exports to the EEC bore no responsibility for the EEC textile industries' difficulties due to its product mix. But China as a friendly trading partner is willing to care for the EEC's difficulties. This supplemental protocol extending the agreement stipulates that the scope of China's



EEC quotas will expand to 21 items (14 items were in the original agreement), and China accepts the expansion of regional limitations to 28 items (9 items were in the original agreement). These all prove China's sympathetic spirit toward the EEC's difficulties. Aside from this, in the supplemental protocol, China agreed to enter into the "no sharp increases" and "no concealment" [of export origin] provisions to which the EEC pays extremely high regard, also due to the same considerations. We should point out that China bears the risk of harming its own economic benefits.

China is a country which keeps its promises. In the past 5 years, departments of the Chinese government have rigorously and seriously respected the provisions of the textile trade agreement with the EEC and have established a textile export administration system. In the apportionment and use of quotas we have established a strict and effective system for the issuance of every export item's certification and export control. Using computers to track statistics on export conditions, we regularly provide statistics to the EEC authorities. The issuance of export certification controlled by the Foreign Trade Administration departments and the supervision of exports by Chinese customs guarantee that China will respect the export limits set by the regulations of the agreement, and prevent going over them. Under special circumstances when we need to invoke the agreement's flexible provisions, our authorities will hold prior discussions with the concerned countries. If due to market demand or the commercial benefit of protected exporters or importers, there is a need to create special arrangements, China will unanimously decide on a course of action through talks with the EEC authorities within the scope of the agreement. Because both sides give high respect to solving problems via talks that arise in implementing the agreement, this is favorable to the normalization of bilateral trade. Thus bilateral administrative cooperation has had fruitful results. We especially appreciate the cooperation of the EEC commission and each member country's authorities. We wish to continue to strengthen cooperation in the next 5 years in order to implement the agreement smoothly and to promote bilateral trade developments and efforts.

China is a developing socialist country, and in the process of developing the country's economy and realizing the four modernizations, we must mainly rely on our own strength while also welcoming the cooperation and help of friendly countries. China and all countries of the world utilize foreign trade to supply each others' mutual needs. China's expanding exports, including its expanding textile exports, are done to increase our ability to fund imports. China's domestic average per-capita consumption level for textiles is only about 4 kg not only far below the level of the developed countries but also below the average world consumption level. The chief responsibility of China's textile industry is to satisfy the needs of our own people. Foreign exports can be carried out only by planning. In the markets of many importing countries, China has had extremely low export levels due to unfair treatment. Because it started from a low base, in the past

several years development has been relatively rapid, and semi-finished goods and intermediate and low-grade products have been the chief exports. Hereafter, we must set the raising of product quality as the main direction for development.

In January of this year, China formally joined the MFA International Textile Trade Agreement. As a textile-exporting country, China desires to reduce and eliminate trade restrictions together with other textile-exporting and importing countries and regions, and to strive ultimately to realize the liberalization of international trade in textile goods. China believes that all MFA members should strive to eliminate trade protectionism in the textile trade, because protectionism is a kind of short-sighted selfishness that begins by harming other nations' benefits, ultimately harming the promoter.

The decision to extend the mutually beneficial trade agreement taken by China and the EEC is farsighted. It certainly will have a positive influence and role in promoting the development of bilateral economic trade relations. We hope that in the process of implementing this agreement we will achieve the cooperation of the EEC authorities, and that the EEC member countries will exhibit even more flexibility. The European textile industries and trade circles can then believe that China is a trustworthy, cooperative partner.

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## FOREIGN TRADE AND INVESTMENT

### NATIONAL TEXTILES COMPANY REFORMS FOREIGN TRADE

HK040547 Beijing CHINA DAILY in English 4 Dec 84 p 2

[Article by staff reporter Zhu Ling]

[Text] Nanjing--China's top textiles trading company is reforming its management to allow it to engage in foreign trade with fewer fetters.

The China National Textiles Import and Export Corporation (Chinatex) has introduced a responsibility system that allows the company president to take full charge of business operations without interference from government administrative departments at any level, Zhu Youlan, 49, the corporation president, said.

President Zhu can now form her own "cabinet." She names her deputy subject to approval by the Ministry of Foreign Economic Relations and Trade. She chooses all the departments' managers at the corporation and they sign three-year contracts.

This assures the president of full co-operation from all the leaders, Zhu said in an interview with CHINA DAILY.

A workers' union will be established to strengthen democratic management. The union will meet once a year to discuss reports from the president. Unions in the corporation's branch companies will meet twice a year.

They can address inquiries to managers at any level and impeach any found to be incompetent, including the president herself.

Chinatex is an experimental unit in the Ministry of Foreign Economic Relations and Trade, she said, adding that it is just feeling its way to reform of a system that has existed for more than 30 years. Resistance as well as problems are expected.

Over the years, arbitrary state planning has limited the management of enterprises in foreign trade. Everything had to be done according to plan, no matter what had happened in the market.

The corporation did not need to care about success or failure. Deficits were made up by the state and every cent of profit went to the state.

"Now, if we make a profit, we pay the tax and we can retain the aftertax profit to expand our business and reward our employees," the president said.

From now on, the corporation and its branches will act as export agents for textile producers, who for the first time will be under pressure to turn out popular and high-quality products to sell in the competitive world market, Zhu said.

As most of the country's textile factories are not well-equipped and not well-informed of the latest world trends, the textile trading companies will provide them with the latest market information and match them with reliable foreign companies to start joint ventures, co-production projects and compensation trade businesses.

The reform allows foreign trade companies to get in touch with industrial enterprises directly, bypassing both foreign trade administrative departments at any level and the local industrial companies, bureaus or economic commissions.

Last year, the Foreign Trade Ministry suffered a loss of millions of yuan as a consequence of the divorce of production and marketing. Trading corporations and their local companies under the ministry had to purchase some export products from the industrial enterprises at a high price according to the state plan. But these products did not get a good price on the world market.

Zhu Youlan said that her corporation would no longer have a monopoly on textile imports and exports.

"We allow our local textile trading companies to do business independently in the hope of bringing their initiative into full play."

But the national corporation, Chinatex, will continue to have exclusive control over imports of acrylic and polyester, and exports of cotton and cotton yarn, cotton grey cloth, polyester cotton yarn and polyester cotton cloth, Zhu Youlan said.

## FOREIGN TRADE AND INVESTMENT

### PRC TEXTILE EXPORTS TO SHIFT FROM QUANTITY TO QUALITY

HK280401 Beijing CHINA DAILY in English 28 Nov 84 p 1

[Article by staff reporter Zhu Ling]

[Text] Nanjing, Jiangsu--China's textile industry is getting ready to fight on the world market with quality products rather than with quantity, a senior businessman from the country's top textile trading company said yesterday.

Zhou Yunzhong, vice-president of the China National Textiles Import and Export Corporation (Chinatex), was speaking at the opening of an international textile symposium.

He said the symposium, which is being sponsored by the corporation, aimed to increase foreign investment and technology in the country's textile industry.

Chinatex has invited 398 overseas companies from more than 20 countries and regions to attend the symposium. About 250 are expected to hold talks with representatives from some 200 Chinese textile factories on the possibilities of establishing joint ventures, co-production projects, leasing and compensation trade projects.

The businessmen are mainly from Japan, the United States, Canada, Italy, France, Federal Germany, Czechoslovakia, Singapore, Hong Kong and Macao.

The corporation has put forward 104 technical co-operation projects, mainly involving the introduction of technology and equipment to modernize spinning, weaving, dyeing, printing, finishing, knitting, woollen and cotton manufacturing, and garment processing.

Zhou said the symposium was the first time a Chinese foreign trade corporation had combined foreign trade with production, putting an end to the past practice of a foreign trade corporation just selling what the factories produced--an unnecessary divorce between production and marketing.

"Over the years, we have simply sold what factories produced and if the products could not sell because of the quality problems, we had to lower the price. Our responsibility was just to export," he said.



Chinatex, an experimental unit in the Ministry of Foreign Economic Relations and Trade, is pushing to reform its bureaucratic way of doing business, which has resulted in China's textile products competing poorly on the world market.

This year, the corporation's export volume is expected to reach \$4.15 billion, compared with \$3.43 billion last year. "Our export volume has increased at an annual rate of 13 percent over the past four years," Zhou told CHINA DAILY.

But, he pointed out, the export increase has been largely in quantity. The quality of many textile products has not improved much.

"The average unit price of our textile products is lower than that of Hong Kong and South Korea and some of our shirts, for instance, are only sold at about half the price of those made in those places," the vice-president said.

Last year, the corporation exported 1.48 billion yards of cotton cloth, an increase of 22 percent over 1980. But as quality and variety did not improve much, the average price per yard last year was even lower than that of three years ago.

"It is imperative for us to involve ourselves in production to ensure better-quality and more varied products," Zhou said.

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## FOREIGN TRADE AND INVESTMENT

### NATIONAL CONFERENCE NOTES FOREIGN TRADE GROWTH

OW121408 Beijing XINHUA in English 1206 GMT 12 Nov 84

[Text] Beijing, November 12 (XINHUA)--By the end of October this year, China's import and export volume had reached 35.37 billion U.S. dollars, 12.4 percent over the same period of last year, XINHUA learned from a national conference now in session here.

Of this, the export volume came to 19.85 billion U.S. dollars, 12.5 percent more than the like period of last year.

The import volume, including technology introduced, reached 15.52 billion U.S. dollars, 12.3 percent over the same period under review.

This indicated that China's foreign economic relations and trade plan had been well implemented this year with a simultaneous growth both in development speed and economic results, the conference noted.

From January through September, 236 contracts were signed for the introduction of technology, 2.6 times that of the same period of 1983, and the contracted value increased 2.8 times.

The agreements signed involved 1.91 billion U.S. dollars of foreign funds, of which 1.66 billion U.S. dollars have been used--twice the figure of the same 1983 period. A total of 239 Chinese-foreign joint ventures were established, surpassing the total of the past five years.

During the same period, contracted value for China's foreign aid and the amount put to use surpassed the period under comparison by 40.7 percent and 5.6 percent, respectively.

Contracted value for foreign projects and labor service reached over 800 million U.S. dollars, and business turnover was over 390 million U.S. dollars, 2.5 percent and 34.7 percent respectively over the same period.

The proportion of the contracted value for complete plants increased considerably and that for labor service was lowered.

The new progress in China's foreign economic relations and trade was due mainly to further implementation of the policy of opening to the outside world and invigorating the domestic economy, said Jia Shi, vice-minister of foreign economic relations and trade. The development of China's industrial and agricultural production and an improvement in the world market situation also helped, he added.

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## FOREIGN TRADE AND INVESTMENT

### HUNGARIAN TRADE EXHIBITION OPENS IN BEIJING

OW201434 Beijing XINHUA in English 1326 GMT 20 Nov 84

[Text] Beijing, November 20 (XINHUA)--The volume of two-way trade between China and Hungary is expected to reach 273 million Swiss francs this year, an increase of 47 percent over 1983.

This was announced by Szuszy Ervin, commercial councillor at the Hungarian Embassy in Beijing, at a press conference held today on the occasion of the opening of a Hungarian trade exhibition here.

The mutual visits by leaders and specialized delegations of the two countries had greatly promoted trade and economic cooperation between Hungary and China, he added.

Referring to the prospects of Sino-Hungarian economic relations and trade, Szuszy Ervin said, during State Councillor Chen Muhua's visit to Hungary [words indistinct] leaders of the two countries decided through negotiations to sign a long-term trade agreement (1986-1990), which was the first of its kind in the history of Sino-Hungarian relations.

A memorandum was signed between the two sides during Vice-Minister of the State Economic Commission Zhu Rongji's visit to Hungary last March. In accordance with the memorandum, the commercial councillor said, Hungary would participate in technical upgrading of existing Chinese factories in six projects, including remodelling bus production lines, providing complete sets of equipment for producing light bulbs, processing bread and making beverage packages. Cooperation in the farm machinery and food processing industries also has a bright future, he added.

The Hungarian trade exhibition is scheduled to open at the national agricultural exhibition center here tomorrow. Szuszy Ervin said that the exhibits on show would include medical apparatus and instruments, electronics, machine tools and complete sets of equipment. The exhibition would provide a good chance for both sides to explore new areas for further cooperation, he asserted.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### XIZANG TO OPEN PEAKS IN REGION TO TOURISM

OW291921 Beijing XINHUA in English 1439 GMT 29 Nov 84

[Text] Beijing, November 29 (XINHUA)--The Tibet Mountaineering Association will gradually open all the region's peaks to foreigners, Losang Dagwa, the association's vice-president, said here today.

Tibet has more than 40 peaks over 7,000 meters high. "Since China opened its mountains to foreigners in 1980, over one hundred climbing and trekking groups have come to Tibet from Asia, Europe, South America and Oceania--1,300 people in all," Losang Dagwa said.

Over 300 people went climbing or trekking in Tibet in 1984, the most in the past five years. Among them, six teams climbed Qomolangma (Everest), with two Australians and one American reaching the summit at 8,848 meters. Fifteen foreign climbers from Japan, Italy, the United States and Australia have successfully scaled the world's highest peak from the Chinese side since 1980.

Foreign mountaineers are now allowed to climb Qomolangma, Xixabangma, the world's 14th highest peak, and their sister summits.

"The association had decided to open all the peaks in the region in the next few years. It will send out reconnaissance teams to make survey of some peaks before opening them," Losang Dagwa said.

"The association will also organise other high-altitude sports activities including motorcycling, cycling, horse-back riding and hunting. Foreigners can go boating in the Yarlung Zangbo, Lancang and Nujiang Rivers, and we will organise aerial sightseeing tours, so visitors can see the scenery on the roof of the world," he said.

CSO: 4020/44



## FOREIGN TRADE AND INVESTMENT

### LIAONING TO OPEN MORE AREAS TO TOURISTS

OW281105 Beijing XINHUA in English 0858 GMT 28 Nov 84

[Text] Shenyang, November 28 (XINHUA)--Liaoning Province plans to develop three tourist zones over the next six years as part of its efforts to boost tourism, according to a tourism conference now in session here.

The zones will center on Xingcheng on the shore of the Bohai Sea, the provincial capital of Shenyang and the coastal city of Dalian.

Xingcheng will become one of China's largest seaside resorts when eight new sanatoriums open there next year.

The new facilities will give [words indistinct] sanatoriums and rest homes with accommodation for up to 12,000 tourists and convalescents, overtaking Beidaihe, the country's best-known seaside resort in Hebei Province.

Founded some 550 years ago, Xingcheng has many well-preserved Ming Dynasty (1368-1644) buildings.

Ancient buildings will be renovated and a street built in the Ming architectural [words indistinct] 1990, [words indistinct] parks and a hot spring hotel will also be built in the area.

Shenyang will build a street in the architectural style of the Qing Dynasty (1644-1911) around the palace of the dynasty's first two emperors where there will be restaurants serving traditional court food, shops and recreational facilities.

In addition, [words indistinct] tomb where the second Qing emperor was [word indistinct] and the Huishan hills will also be developed into tourist areas.

Dalian will set up a bathing beach south of the city center, as well as many other modern tourist facilities.

In the next six years Liaoning Province will also renovate ancient buildings and develop many other beaches, mountains and caves to attract tourists.

The province now has 16 hotels designed for foreigners, with total of 5,400 beds. It was visited by [figure indistinct] people from overseas, Hong Kong and Macao between 1979 and 1983.

## FOREIGN TRADE AND INVESTMENT

### BEIJING TOURIST HOTEL RUN BY PEASANTS OPENS

OW241307 Beijing XINHUA in English 1247 GMT 24 Nov 84

[Text] Beijing, November 24 (XINHUA)--A tourist hotel run by local peasants opened in the southern outskirts of Beijing today.

The Jinghua Hotel is the seventh of its kind built in the capital area in recent years. Its 160 rooms all have televisions and telephones.

It was built with more than five million yuan (about two million U.S. dollars) raised locally by the residents of Guoyuan township, in Beijing's Fengtai District.

The hotel's restaurant is run as a joint venture with Tongjiang County in Sichuan Province, which provides cooks skilled in Sichuan cuisine.

Guoyuan earned 4.2 million yuan last year, 75 percent of it from local enterprises, a township leader said.

Its hotel was established after a government call to boost the city's service trades to meet people's growing needs.

"We never dreamed of building such a well-equipped hotel before because our township used to be the poorest in suburban Beijing," the Guoyuan official added.

The Fengtai District alone now has 49 small hotels and inns run by local peasants. Construction of 53 more hotels began this year throughout the suburban area of Beijing. They are expected to add 6,500 beds for tourists coming to the capital.

Vice-Premier Wan Li earlier this month encouraged Beijing peasants to help improve catering, trading and other public services in Beijing.

With the introduction of the job responsibility system, Wan Li said, the three million peasants in Beijing's rural suburbs will have more labor power to spare for service trades.

According to municipal authorities, nearly a thousand hotels, restaurants and shops have been opened in and around Beijing, employing 15,000 peasants.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### DEVELOPMENT OF XINJIANG'S FOREIGN TRADE NOTED

HK230422 Beijing CHINA DAILY in English 23 Nov 84 Xinjiang Supplement p 4

[Article by Abdulla Reyim, director of the Foreign Economic Relations and Trade Department of the Xinjiang Uygur Autonomous Region]

[Text] Xinjiang Uygur Autonomous Region, occupying a key stretch along the ancient "Silk Road" linking Europe and Asia, has got a new lease of life with the development of foreign trade.

In line with the current policy of opening to the outside world, the region has recently established economic and trade relations with 50 countries. Its trade volume is now 10 times what it was in the early 1950s.

In addition, with entrepreneurs from Japan, Australia, and Hong Kong, Xinjiang has launched joint venture enterprises and cooperative production projects, all of which brought good economic results.

Xinjiang has opened its door to international economic and trade circles. Preferential treatment is offered to traders and investors who will come to the region for economic co-operation, trade and technical exchange.

As a result of its vast area, and rich resources and native produce, Xinjiang can offer the world market such commodities as Hami melons, seedless grapes, garlic, beer hops, long-fibre cotton; and furs of marten, fox and muskrat, as well as lambskins. Leather and fur products from Xinjiang have proved popular on the overseas market.

But the region needs advanced technology and equipment, especially in agriculture, animal husbandry, mining and building machinery.

In the past 35 years, Xinjiang has built more than 1,000 kilometres of railway line linking Urumqi, the region's capital, and Korla with the country's inland and coastal cities. Expansion of airports in Urumqi, Yining, Hetian and Kashi has been completed. Now these airports can handle large airliners and air-freighters.

Improvement of traffic and transport facilities has provided favourable conditions for further developing the region's economy and trade.

The sweeping reforms of the region's foreign economic relations and trade are nearly complete. It now has 13 import and export corporations. The region's Foreign Economic Relations and Trade Department has opened offices in Beijing, Tianjin, Guangzhou and Shenzhen to do business with foreign firms.

Foreign traders and investors are invited to launch joint ventures with other enterprises in Xinjiang. Other forms of co-operation may also be arranged such as cooperative production, compensation trade, processing of imported materials and parts, assembling according to contractor's design, bartering, acting as agent and dealing in futures.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### GUANGZHOU EXPORT COMMODITIES FAIR CLOSES

OW060857 Beijing XINHUA in English 0728 GMT 6 Nov 84

[Text] Guangzhou, November 6 (XINHUA)--Export deals at the 1984 autumn export commodities fair in Guangzhou broke all records, fair officials said today.

No specific figures were disclosed, but officials said that the biggest deals were on silk and satin fabrics, cereals and edible oils, local produce and animal by-products, followed by light industrial goods, arts and crafts, machinery, chemicals, medicines, hardware and minerals.

The 20-day fair closed Monday. It received 18,000 business people from 85 countries and regions and government trade missions from 11 countries.

Attracting special interest were more than 100 products offered by 34 Chinese-foreign joint ventures. The total volume of trade in these products more than tripled that at this year's spring fair. In the first ten days 19 contracts were signed on exports of these products, over twice as many as during the whole spring session.

The best sellers were Dynasty brand white wine, cashmere yarn and sweaters, furniture, lamp decorations and electronics. They attracted more than 400 firms from 20 countries and regions including the United States, Canada, Britain, Japan and European Economic Community countries.

Export sales via agents, part of the foreign trade reforms, were tried out at the fair. Such deals via foreign trade companies came to 140 million U.S. dollars.

A number of contracts and letters of intent were signed on technology imports, co-production schemes, joint ventures, labor services and construction projects abroad, the officials said.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### USE OF FOREIGN CAPITAL IN GUANGDONG DISCUSSED

Guangdong YANGCHENG WANBAO in Chinese 24 Aug 84 p 1

[Article: "Guangdong Achieved Notable Results in Importing and Using Foreign Capital, This Reported by the Central People's Broadcasting Station In 24 August Broadcast"]

[Text] According to this morning's broadcast by the Central People's Broadcasting Station, since the policy of opening to the outside world was implemented in 1979, Guangdong Province has initially opened up the situation in importing and using foreign capital. Up to now, Guangdong Province has signed more than 40,000 economic contracts of various categories with businessmen of 19 countries and regions and has used foreign capital totaling \$1.48 billion. Items involving economic and technical cooperation with foreign countries have rapidly expanded to include energy, communications, post and telecommunications, agriculture, industry and other spheres.

The policy of opening up to the outside world has forcefully promoted the development of agriculture, industry and other trades in Guangdong. Since 1980, Guangdong Province has reversed the backward situation in which its total industrial and agricultural output value remained lower than the national average level for a long time. In the past 4 years, however, the average annual aggregate increase registered 9.4 percent a year, which is higher than the average national level.

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CSO: 4006/47



## FOREIGN TRADE AND INVESTMENT

### USE OF WORLD BANK FUNDS IN JIANGXI REVEALED

Beijing JINGJI RIBAO in Chinese 11 Sep 84 p 3

[Article: "Jiangxi Develops Agriculture, Animal Husbandry and Fishery with Foreign Capital"]

[Text] Since its establishment in October 1983, the Jiangxi Provincial Agricultural Joint Development Company has signed three contracts with foreign countries including seven projects.

These projects are: establishing a center to promote the propagation of superior hybrid paddy rice seed by using the \$3 million loan from the World Bank supplemented with another fund of 6 million yuan in renminbi; importing from Yugoslavia and Romania, respectively, one set of mechanized chicken-raising equipment capable of raising 200,000 chickens a year for eggs and 1 set of fodder-processing equipment capable of handling 30,000 dun of fodder a year; and going into joint ventures with the Yucheng group of Singapore to operate a pig farm for raising lean hogs and 3 chicken farms that can each raise 10,000 chickens for eggs.

In addition to the above-mentioned three projects, foreign experts have been invited to study three other projects. It is expected that they will start next year. They are: (1) the building of a fruit, fodder and livestock-breeding base by developing and utilizing comprehensively 300,000 mu of red-soil wasteland with the \$30 million loan from the World Bank plus another 69 million yuan fund in renminbi supplemented by the localities; (2) the building of a 32,000-mu pond for choice fish breeding in Nanchang suburbs with the \$9 million loan from the World Bank plus another fund of 33 million yuan in renminbi supplemented by the localities; (3) the excavation of fish ponds for choice fish breeding in Duchang and Xingzi counties with the \$10 million provided by the World Food Planning Agency--these ponds will cover an area of 22,000 mu.

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CSO: 4006/47

## FOREIGN TRADE AND INVESTMENT

### 311 TECHNOLOGY IMPORT CONTRACTS SIGNED 1979-1984

Fuzhou FUJIAN RIBAO in Chinese 19 Sep 84 p 4

[Article: "Policy of Opening to the Outside World Is Good, Arouses 'Import Fever' Throughout Fujian: Since the 3d Plenary Session of the 11th CPC Central Committee, a Total of 585 Reports Have Been Examined and Approved, 311 Contracts Have Been Signed and 160 Projects Have Been Put into Operation"]

[Text] The policy of opening to the outside world is stirring up "import fever" throughout Fujian. Since the 3d Plenary Session of the 11th CPC Central Committee, our province has achieved gratifying results in actively importing advanced technology and equipment from abroad and transforming the existing enterprises after smashing the shackles of the "leftist" ideology and implementing special policies and flexible measures. Between 1979 and July 1984, the province examined and approved 585 reports on feasibility studies and signed contracts for 311 projects, of which 120 have received complete or partial equipment and another 160 have been put into official operation.

These imported items cover a wide area including electronics, machinery, light and textile industries, food, second light industry, metallurgy, shipping and other industrial and transport enterprises and technology and equipment to conserve energy and cut consumption. The technical level is advanced; of the 116 items imported in 1983, 100 were of the internationally advanced technology of the late 1970's and the early 1980's. The economic results have been high; for every 1 yuan invested, on the average it will increase the output value to about 3 yuan and the tax payment in place of profit delivery will come to about 0.80 yuan. Since the electronics enterprises began importing advanced technology and equipment in 1980, a total of 20 projects and 33 advanced production lines have been put into operation successively. The total industrial output value last year increased over four-fold compared with that of 1979, and profits also increased more than four-fold, thereby jumping from 16th to 8th nationally, with nearly 40 productions filling the void in the electronics industry in our country.

To quicken the tempo of importation in our province further, while executing the revolving plan for importing advanced technology and equipment during the last 2 years of the Sixth 5-Year Plan period, the departments concerned early this year put forth the first group of 711 items in preparation for joint ventures and in cooperation with foreign businessmen together with plans for transforming 495 enterprises. They welcome entrepreneurs of various countries to invest in Fujian and take part in the technical transformation of existing enterprises in the form of joint ventures or cooperation.

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## FOREIGN TRADE AND INVESTMENT

### TECHNICAL IMPORT COMPANY SET UP IN BEIJING

OW202122 Beijing XINHUA in English 1511 GMT 20 Nov 84

[Text] Beijing, November 20 (XINHUA)--The China National Technical Import Corporation, Beijing Company, was formally set up today at a reception held in the Great Hall of the People.

The newly-established company is to focus on the import of advanced technology for Beijing municipality and is to handle business assigned by the China National Technical Import Corporation. Its major business includes importing up-to-date technologies, complete plants, production lines and other equipment, undertaking compensation trade, co-production, leasing, and joint ventures, and recruiting foreign manufacturers and firms for engineering design, technical consultation and factory modernization.

According to Beijing municipal authorities, 400 schemes are being planned which will use foreign investment and technology in 1985, and 300 enterprises have been earmarked for technical upgrading through cooperation with foreign companies. The schemes range from animal husbandry to urban construction, including rebuilding the old parts of Beijing. Also on the agenda are the development of the foodstuffs, textiles, printing, and electronics industries, as well as tourism facilities.

Beijing has established business relations with more than 10,000 firms from 130 countries and regions, and become one of the major foreign trade centers of China.

Between 1979 and 1983 Beijing arranged more than 500 schemes funded with a total foreign investment of 700 million U.S. dollars.

Among the 800 people present on the occasion were Vice-Mayor Han Boping, officials of various government departments and representatives from Chinese enterprises and Beijing-based foreign institutions.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### DEMOCRATIC PARTIES URGED TO SERVE OPEN POLICY

OW180632 Beijing XINHUA in English 1451 GMT 17 Nov 84

[Text] Beijing, November 17 (XINHUA)--A Communist Party official today called on democratic parties and people's organizations to unite all patriotic forces and work hard for the economic development of the special economic zones and other coastal cities that have been designated to open to the outside world.

Yang Jingren, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and head of the United Front Work Department of the C.P.C. Central Committee, made this call at a ten-day forum which opened here today on united front work in the cities opening to the outside world.

Yang said that China now needs the close cooperation of democratic parties, people's organizations and non-communist intellectuals, and the enthusiastic support of Taiwan, Hong Kong and Macao compatriots, and of Overseas Chinese in implementing policies to reform the economy and open to the outside world.

Democratic parties, the federations of industry and commerce, of returned Overseas Chinese and of Taiwan compatriots in the special economic zones and coastal cities have contributed to local economic development in the past few years, he said. They offered the local government consulting services in drawing up local economic development plans, in reforming economic structures, in conducting technical innovations, and in developing the third industries.

These organizations have also increased their ties with Hong Kong, Macao and foreign countries in an effort to import foreign capital, advanced technology and equipment and promote trade and economic cooperation between these areas and foreign countries. They also run schools to help train qualified personnel to meet the needs of the open policy.

The forum, Yang said, was aimed at exchanging experience and looking into how to continue to mobilize all patriotic forces to work for the smooth implementation of the open policy, for the further expansion of trade and economic cooperation between China and the rest of the world.

Sponsored by the CPPCC National Committee and the C.P.C. Central Committee United Front Work Department, the forum was attended by 80 people including leading members of CPPCC committees and united front departments in 14 coastal cities and four special economic zones, leading members of the central committees of China's eight democratic parties, the all-China federations of industry and commerce, of returned Overseas Chinese and of Taiwan compatriots.

CSO: 4020/44



## FOREIGN TRADE AND INVESTMENT

### FRIENDSHIP STORE MANAGER ON IMPROVED SALES

OW231250 Beijing XINHUA in English 1158 GMT 23 Nov 84

[Report by Zhao Qinghua, XINHUA correspondent]

[Text] Beijing, November 23--Improved services have helped boost sales at Beijing's Friendship Store by 50 percent, manager Gao Kuixi told XINHUA today.

The store, the largest catering to foreign residents and tourists in China, was opened in 1973 to meet the needs of the growing number of these people coming to China.

Manager Gao, 54, attributed the latest improvement in services and expansion of business to the current reform of China's economic structure.

Measures the store had taken in line with the reform were expected to bring this year's total sales of 120 million yuan, compared with 80 million yuan in 1983, the manager said.

The store planned to open another sales floor of 600 square meters to cope with the rapidly increasing business, he added.

Located near the legation quarters, the store supplies 84,000 varieties of goods, ranging from matches costing a few fen a box to artwares worth 200,000 yuan or more apiece.

There are imported items as well as quality home-produced goods. The prices of many items here are actually up to 20 percent lower than the state prices on the average market because customers pay in foreign exchange certificates of renminbi, the Chinese currency.

Supplies were now so plentiful that the store had been able to open some of the sales departments in the evening to domestic customers paying in renminbi for goods made in China, Gao said.

Other new services included delivery of goods to customers' homes, consignment sales and wholesale business, he said.

Speaking about the prices, Gao said that, since some goods were imported or laid in with foreign exchange, their prices had to be readjusted frequently according to the fluctuations of the exchange rates.

In some cases, he said, the list prices in foreign exchange certificates of such goods remained unchanged--representing a drop in real price.

There are, naturally, very expensive items such as the luxury French cognac, Hennessy, now selling for 231 yuan a bottle at the store.

"But it is no average consumer item and you would have to pay a fortune for it anywhere in the world," manager Gao said.

Many foreign customers seem pleased with the quality and prices offered by the store.

Gerald Amelung, an official at the Federal German Embassy here, told XINHUA that children's wear sold at the Friendship Store was a third cheaper than in his country. Garments for adults were about half the price. However, he thought that the prices of electrical appliances here were higher than in other countries.

Sporting a woolen sweater he just bought, a Japanese journalist, Kazou Matsumoto, from the TOKYO SHIMBUN said: "This only costs 30 yuan here, whereas in Japan it would sell for 50 to 60 yuan."

Liu Yue, a store assistant, said many foreigners bought artwares, pianos and clothes at the store to send home because of the low prices here.

CSO: 4020/44

## FOREIGN TRADE AND INVESTMENT

### CHINA DAILY CITES JINGJI RIBAO ON TECHNOLOGY IMPORTS

HK290538 Beijing CHINA DAILY in English 29 Nov 84 p 4

[Text] China's imports of technology, especially advanced techniques, is still on a small scale, compared with the rapid development of the world technological revolution and technical transfers, says Zhu Rongji, vice-minister of the State Economic Commission, in JINGJI RIBAO (ECONOMIC DAILY).

In the past few years, a series of policies have been adopted to encourage the use of foreign capital and technical imports, and the State Economic Commission planned to import 3,000 technical items in three years from 1982, and give favourable terms on the advanced ones. So far, more than 2,000 items have been or are to be, completed soon.

As the situations in enterprises differ greatly and market trends are rapidly changing, it is impossible that all the imports are negotiated by the few foreign trade companies are approved by the central departments.

The State Council has given local governments, especially in coastal cities, more decision-making power over technical imports. Some large enterprises, such as the Anshan Iron and Steel Company, are also allowed to import technology directly from abroad. The experiment in Shanghai and Tianjin last year stimulated considerable growth in the total volume of technical imports, which equals 70 percent of the volume of the past four years.

More decision-making power has led to a few duplications in imports and to the import of some equipment that can be produced in China. But, the vice-minister says, the economic results they bring will far outweigh the disadvantages as the small and medium-sized items can improve economic performance of enterprises in a short time and result in immediate profits.

However, duplications in imports must be avoided in major projects. The potential production capability of some products has surpassed market demands. For instance, the present annual production capability of colour TV sets is 2.3 million and the contracts, already signed or to be signed soon, will enable the country to make about 10 million sets a year. There are also similar cases in refrigerator compressors, washing machines, and timers.

Imports should focus on raising economic results, improving the quality and variety of products, reducing the consumption of energy and raw materials and raising the level of managerial skill.

While imports of computer software deserve special attention, key equipment and assembly lines should not be regarded as unnecessary. Some equipment itself is technology and will promote production capability immediately when used properly.

Japan currently spends hundreds of millions of dollars importing software, but China cannot blindly follow it, because most of the equipment in China is out-moded and advanced technology cannot produce up-to-date products.

Sometimes, there are advanced technology and modern assembly lines, but no up-to-standard products. This very often results from the lack of people's competency.

One consultancy expert believes that the most successful technical transfer is contact between the people--the transferrer and the receiver. Many enterprises, after adopting modern technology, invited foreign technicians and engineers to help strengthen enterprise management, and achieved great improvement.

At present, many Western countries have organizations of retired scientists and researchers who are willing to provide technical assistance for developing countries if they are offered free travel and board. The United Nations also has funds for providing technical services in developing countries. China should pay attention to seeking their help.

In addition, many countries want to conduct exchanges and cooperation with China in terms of economic development. This is a good opportunity for China to learn from others.

Technical imports do not mean abandoning China's own scientific research, but making use of latest technology to bridge the gap between China and developed industrial countries. This policy does not contradict the principle of self-reliance.

A good example is Japan, which spent \$5.8 billion from 1950 to 1975 importing 26,000 technical items and then experienced an economic take-off. If on its own, it would have taken much more money and a much longer period.

An erroneous trend in China is that some enterprises and departments block the spread of advanced technology or ask for very high prices for technical transfers. This is wrong. All enterprises and undertakings have the responsibility to popularize modern technology in order to promote China's scientific and economic development.

## SPECIAL ECONOMIC ZONES

### PROGRESS IN SHENZHEN SPECIAL ECONOMIC ZONE REPORTED

Beijing RENMIN RIBAO in Chinese 5 Sep 84 p 3

[Article by Jing Hua [2529 5478]: "The Roc Takes Wings"]

[Text] Shenzhen has for a long time been called the "Roc City." In August 1980, the NPC Standing Committee formally approved the creation of a special economic zone of 327.5 square km in Baoan County near the national border. Thus, the roc which has been in the minds of Shenzhen's people for generations got its wings. In only 4 years, a fledgling modern city, known as the "pearl of the east" and adjoining Hong Kong, has emerged.

Shenzhen achieved more in these 4 years than in the previous 30 years. In the first half of this year, more than 2.6 billion yuan were invested in its capital construction, and the comprehensive development of four areas, namely, Luohu, Shangbu, Nantou and Shekou, totaling 34 square km, was initially completed. The single "agricultural economy" of a "self-sufficient" type is now becoming a "facing outward" economy with a comprehensive development of all trades. The proportion of the industrial sector in the economy continues to expand, and the electronic enterprises, formerly nonexistent, now number more than 100 and are capable of producing more than 100 different electronic products. The gross industrial output value and financial revenues of 1983, compared with that of the year before the establishment of the special economic zone, increased more than 10-fold, and the national economic indexes of these 4 years exceeded the grand total of the previous 30 years. These simple figures reveal one basic fact: the roc is taking wing and Shenzhen is now marching along the road of modernization.

Shenzhen's features today are inseparable from the series of reforms, such as the reform of the wage system which eliminates the evils of egalitarianism or "eating from the same pot," and the reform of the personnel accompanied by the system of labor contracts, the system of open recruitment of professional technical cadres, the system of electing or recruiting people for the leading bodies under contracts and the system of public bidding in the building industry. All these systems have produced marked economic results. We can say that the Shenzhen Special Economic Zone is advancing and maturing in the course of the reforms.



As a "window" of knowledge, technology, administration and policies in dealing with the outside world, Shenzhen is attracting increasing attention from people in Hong Kong, Macao and other foreign countries. Soon after its establishment as a special economic zone, investors came from only one region--Hong Kong. Now, they are coming from more than 50 countries and regions in the world. The investors were at first only small businessmen; now they are big businessmen, syndicates and transnational corporations, and the amount of investment has increased from several tens of thousands of yuan to more than 1 billion yuan. By the end of 1983, we had signed more than 2,500 agreements with the investors. The total amount of investment reached 1.8 billion dollars, out of which 0.5 billion dollars have already been used. More than 25,000 sets of advanced technical equipment have been imported. Among them are the production line of plates for circuit printing, the production line of color TV sets, the production line of integrated circuits in the latter work sequence; the production line of seven-color printing films and four-color folio printers and the production line of high-grade blueprint papers, all with fairly advanced technical features and all being installed or put into operation. The development of the Nanhai oilfield and the construction of a nuclear power plant in Dayawan will open a broad prospect of development and prosperity for the Shenzhen Special Economic Zone.

The development of socialist material civilization demands a synchronized development in spiritual civilization. After improvements in their material lives, people naturally long for better spiritual and cultural lives. Such is precisely the situation in Shenzhen. In the past several years, approximately one-third of all the locally-raised funds were spent on capital construction projects for culture and education, public health, sports, science and technology and so forth. News agencies, universities, TV stations and science and technology centers have been built from scratch, while large modern theaters, museums, libraries, news and cultural centers and sports centers are now under construction. Modernized production and the restructuring of various systems have prompted the broad masses of cadres and people to continue their study, and the pursuit of scientific, technical and cultural knowledge among the young people, as the mainstays in building this special economic zone, has become the order of the day. This special economic zone has also been responsible for the appearance of a large number of young and promising builders with sensitive minds, and managers, factory directors and chairmen of boards of directors in their twenties or thirties can be seen everywhere. A generation of new people is now growing.

The old small town of Shenzhen has passed into oblivion amid the epoch-making and historic changes, and a new special economic zone is now towering over this place. In 4 years, it has presented a gratifying sight. However, it is still far from the grand objective of the four modernizations, and a great number of arduous tasks are ahead. At present, in the world, a new technical revolution is beginning while in our country the restructuring is surging ahead. These new conditions are posing even higher demands on this special economic zone. Shenzhen is now speeding up the restructuring and is making every effort to give play to the role of this special economic zone as a "window." Let the roc of the south fly higher and farther away!



# 从数字看深圳的基本建设速度

(1980.8—1984.7)



Speed of Shenzhen's Capital Construction  
August 1980-July 1984

## Key:

1. Area of completed capital construction: 4.95 million square km
2. Total length and area of 55 completed roads: 82 km and 2.8 million square meters
3. Developed area: 34 square km
4. Civilian housing: 2.12 million square meters
5. Total investment in capital construction: 2,635.71 million yuan

9411

CS0: 4006/756

## SPECIAL ECONOMIC ZONES

### BRIEFS

**NEW IMPORT-EXPORT COMPANY**--The Shekou Industrial District Import-Export Trading Company jointly formed by the Guangdong Provincial Foreign Trade General Corporation and the Shekou Industrial District Control Commission was officially inaugurated on 22 August. This company is an independent economic entity with the status of a qualified legal person and has the same authority as the provincial-level companies specialized in foreign trade. The scope of business of this company in the main covers the handling of the import and export trade of the Shekou industrial district including grain, edible oil, native and animal products, light industry goods, household electric appliances, textiles, machinery and electronic components and acts on behalf of other places in the import and export business. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 24 Aug 84 p 2] 12662

**PUBLIC BIDDING FOR KEY PROJECTS**--Tenders for the two projects in the Zhuhai special zone involving a total investment of HK\$500 million will be invited at home and abroad in the near future. These two construction projects are the Jiuzhou Harbor international wharf (first phase) for multiple commercial use and a commercial housing complex. The work of screening the qualifications of the contracting companies submitting the tenders is now underway. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 24 Aug 84 p 2] 12662

**ZHUHAI BASIC CONSTRUCTION PROJECTS**--The basic construction in the Jida and Gongbei districts in the Zhuhai special economic zone is being speeded up on a large scale. The amount of money invested in the basic construction this year is equivalent to the sum invested in the past 4 years. The basic construction projects in Zhuhai this year include roads, bridges, underground conduits, sewage processing plants, water supply plants, transformer houses and postal and telecommunications facilities. They also include 23 industrial factory buildings, 30 marketable houses and 13 high-rise and medium-height commercial service buildings covering a total area of nearly 1 million square meters. [Text] [Guangzhou YANGCHENG WANBAO in Chinese 24 Aug 84 p 2] 12662

CSO: 4006/47

## TRANSPORTATION

### TRANSPORTATION SYSTEM, HARBOR CONSTRUCTION OF HAINAN

Beijing SHULIANG JINGJI JISHUJINGJI YANJIU [QUANTITATIVE AND TECHNICAL ECONOMICS] in Chinese No 8, 5 Aug 84 pp 37-40

[Article dated Haikou March 1984 by Zhang Guowu [1728 0948 0124], Management Science Research Institute, Northern Jiaotong University: "A Personal Presentation on the Development of the Transportation System and Harbor Construction on Hainan Island--Results of an Investigation"]

[Text] Following the 3d Plenum of the 11th CPC Central Committee, China entered a new era in which the four modernization drives are its main concern. The CPC Central Committee drew up the fundamental policy of "opening up toward the outside world and invigorating the domestic economy." Under these novel conditions, the island of Hainan, located the furthest south of all our territories, also entered a new phase of development. In the development and reconstruction of Hainan Island, communications and transportation must be given priority, and on an island like Hainan, completely surrounded by the ocean, harbor construction must come before everything else in the communications buildup. I was invited by the Hainan administrative office, the Haikou harbor administration and the China Harbor Association to attend the Hainan Harbor Construction Advisory Symposium, lasting 10 days (23 February to 4 March). At that meeting we heard the party secretaries of Guangdong Province and of the Hainan Region, the leading cadres of the Hainan administrative office and of the Hainan harbor administration give introductions to the basic conditions of the Hainan economy, short-term and long-term plans for its development, and communications and transportation conditions. We also investigated the main ports around the island, namely Qinglan, Gangbei, Xincun, Sanya, Basuo, Yangpu and Haikou, which was very stimulating and instructive, greatly enriching our knowledge.

In order to achieve a rapid and effective reconstruction of Hainan communications and of its harbors, it is in my opinion

necessary that the theory and methods of systems science should be employed and that the following problems must be brought to a satisfactory solution:

1. We must raise understanding of the new phase in the reconstruction of Hainan's harbor, communications and transportation facilities.

The development and reconstruction of Hainan's harbors is of greatest significance for our country's four modernization drives, an importance mainly to be seen in the following:

- (1) Hainan Island is geographically in an important position. It is located at the southernmost end of our motherland and is with Taiwan one of the two largest of our islands, one of our two "pearls in the sea." It is the gate for sea traffic between China and all the countries of Southeast Asia and the world and the southern gate to our country. The reconstruction and development of its harbors will have an extremely important effect on the motherland.

- (2) Hainan Island has abundant natural resources, which include tropical crops (such as bananas, sugar cane, coffee, tea, pepper, coconuts), mineral resources (such as iron ore, titanium, quartz, aluminium), marine resources (all kinds of sea fish and shrimp), power resources (such as petroleum, natural gas, brown coal, waterpower) and also resources of salt from the sea and timber. All these resources are high on the list of important requirements for our country's four modernizations.

- (3) Surrounded by the sea, Hainan has many excellent harbors. These harbors are deep and do not silt, do not freeze, give shelter from winds and have large water areas; their development and reconstruction, as, for instance, in the case of Yangpu and Sanya, would have important strategic and economic significance.

- (4) Hainan has a diligent and intelligent population of 5.72 million consisting of over 30 different nationalities. They constitute a powerful force in the development and reconstruction of Hainan.

- (5) There are now 1.2 million natives of Hainan living overseas all over Southeast Asia and throughout the world, who also fervently desire to see progress in the development and reconstruction of Hainan Island.

(6) Hainan has abundant resources for tourism that still remain untapped. Since tourism is so popular in the present world, an energetic development of Hainan's tourism would also be of great political and economic significance.

## 2. How to visualize the structural level of the Hainan harbor transportation system within the systems structure.

We are presently in an era of a new technological revolution taking place throughout the world. As we intend to develop Hainan Island under these new conditions, it is my opinion that we must first of all employ the theory and methods of the system science to guide the reconstruction of the harbors of Hainan Island.

Hainan is surrounded by the ocean. Along its more than 1,770 km of coastline there are more than 60 natural inlets, of which 24 can be built up into harbors. There are at present 11 harbors, which in themselves constitute a Hainan harbor transportation system, each harbor being one "element" in the formation of the system. The function of each "element" must be determined according to an analysis of the harbor system. That means, on the basis of the natural conditions that are to be clarified for each inlet and harbor on Hainan Island, a summary of all of them is to be made to enable an analysis of the entire overall position, from which, finally, the function of each harbor is to be determined. We must not carry out independent individual studies divorced from the overall entity of the Hainan harbor situation. For instance, in the past, the Japanese, in order to loot the ore from our Shilu iron mine, hastily built Basuo harbor on Hainan, but today we must not make independent arrangements for the renovation and development of Basuo harbor, but must include it in the Hainan harbor system and analyze it in that context.

The following three points require clarification in the Hainan harbor transportation system:

First, we must make the Hainan harbor transportation system part of the larger Hainan communications and transportation system, because it is a subsystem of the larger communications and transportation system. Even though the Hainan communications and transportation system is structured with the harbor system as its foundation, the business activities of the ports are merely one link in the transportation processes; the whole transportation process would still be incomplete without other transportation methods and tools. The transport tasks of Hainan Island also comprise such other methods of transportation



as coastal shipping, railways, highways and aviation. Without the cooperation and coordination of these other methods, as coastal shipping, railways, highways and aviation, not only would the people of Hainan suffer adverse effects in their livelihood, but the economic development of the region would also suffer, and any harbor would also become a "dead harbor," where no cargo would go in or come out from. Looking at the various levels of the system, the Hainan harbor transportation system is one of the subsystems on the same level with the coastal transportation, railway, highway and aviation transportation systems, which then jointly make up the large Hainan communications and transportation system.

Second, the Hainan communications and transportation system, again, is a subsystem of the large system of the Hainan economic entity as a whole. In the theory of systems, large systems and subsystems are all relative. Speaking of the systems structure, a system is a large system in relation to the system at the lower level, but in relation to a higher level system, it is also a subsystem. Hainan Island is a socioeconomic entity and per se a large system. In this large system there are many subsystems, such as the industrial subsystem, the agricultural subsystem, the urban subsystem, etc., and the communications and transportation system is a subsystem on the same level as the industrial, agricultural and similar systems. The functions of this subsystem are to be determined by the transportation needs of the large Hainan socioeconomic system. That is also what we often refer to as transportation having to serve production; it is not that transportation determines production. When studying the question of the communications and transportation system, it is necessary to distinguish the relations in the systems structure.

Finally, the Hainan communications and transportation system is also a subsystem of the large national communications and transportation system. Hainan Island is a component part of Guangdong Province and both are parts of the national entity. We may also say, they are component parts of the large state system of our country. Economic relations between the mainland of our country and the island of Hainan are being maintained by means of the communications and transportation system. Based on this premise, the Hainan communications and transportation system is also a component part of the national communications and transportation system; it is one of its subsystems. A study of the development of the Hainan communications and transportation system must therefore pay attention to and solve the problem of the connections between the Hainan and the mainland communications and transportation networks.



### 3. The functions of the Hainan communications and transportation system and the harbor subsystem.

In order to develop the Hainan communications system and to carry out the reconstruction of the Hainan harbor subsystem, it is necessary to gain a complete knowledge of the functions of the Hainan communications and transportation system. A tentative analysis reveals the following to be its main functions:

(1) It has to perform the task of maintaining relations between the Hainan and the mainland economies, asserting Hainan Island as a component part of our country's economic entity. This manifests itself concretely in the movement of materials which the country needs to obtain from Hainan, such movement being made promptly and according to the quantities required by means of the Hainan communications and transportation system. The same system then also transports from the mainland, promptly and according to quantities required, whatever is needed from the mainland in the economic development of Hainan. As of present, Hainan is annually shipping to the mainland a certain quantity of mineral products, timber and tropical crops, while Hainan has to import annually from the mainland its requirements of coal, petroleum, grain and other industrial and agricultural products. Because of the deficiency of Hainan's present communications and transportation capacity, Hainan is presently unable to fulfill the above-mentioned tasks.

(2) It has to perform the task of amalgamating Hainan into one economic entity. Hainan has an area of 34,000 square km and has 17 counties and 1 municipality. To shape Hainan Island into one economic entity and achieve interchange of commodities between its various districts, between urban and rural areas and between the coastal areas and the interior, it is necessary to ensure an effective transportation system.

(3) It has to perform the task of conducting the state's (including Hainan's) foreign trade and international interchanges.

(4) It is the fundamental means and tool for the development of Hainan's tourism. Hainan is located at latitude 18°10' to 20°10' north and longitude 108°37' to 111°3' east, and is the only territory of our country that lies in the tropics. Besides, it is surrounded by the ocean, has beautiful scenery, has many peculiar mountain formations of great beauty and also many scenic spots and historical sites; it is a resource for

tourism as rarely found anywhere else in the world and in our country. If we are to develop Hainan's tourism, we must have the facilities of a communications and transportation system that will be a good communications tool, offering conveniences to Chinese and foreign guests. The reconstruction of communications on Hainan Island must take the needs of tourism into consideration.

(5) It has to have communications and transportation conditions that will provide facilities for overseas Chinese returning to Hainan for visits to relatives or friends.

Following the 3d Plenum of the 11th CPC Central Committee, large numbers of overseas Chinese, originally from Hainan Island, wanted to return to Hainan for visits to relatives and friends, but had to suffer inconveniences due to the inadequacies of Hainan's communications. It is therefore of extremely important political and economic significance for the strengthening of contacts with the overseas Chinese and for the consolidation of unity among our nationalities, to develop Hainan's communications and transportation system.

For a long period of time, the reconstruction and development of the communications and transportation system of Hainan--as also throughout the country as a whole--has been extremely slowmoving. During the 28 years, from 1952 to 1980, the average annual investment in Hainan's communications and transportation (including post and telecommunications) accounted for only 5.9 percent of the total investment in Hainan's capital construction, which truly reduced Hainan's communications and transportation to a weak link in the economic development of Hainan Island. In the new situation, now that the central authorities have decided on rapid development of Hainan Island, we must proceed on the basis of our enhanced knowledge of the functions of Hainan's communications and transportation system and make effective arrangements for the reconstruction of Hainan's communications and transportation system, devoting particular energy to the construction of the harbors on Hainan Island, and, furthermore, with harbor construction as foundation, effectively reconstruct the many other forms of Hainan's transportation system, such as coastal navigation, railways, highways and aviation.

4. The reconstruction of the Hainan harbor system must be developed according to the natural conditions of the various inlets and the needs of economic development of the various localities; arrangements for large, medium and small ports must be well coordinated, as should the combination of large,

medium and small berths, all to constitute an entity as one harbor transportation system of the island of Hainan.

There are 24 fine inlets all over the island of Hainan that can be built up into harbors. However, according to the natural conditions of the various inlets, especially their depths, coastline and water area, there are larger and smaller ones. According to their geographical location, those along the east coast are suitable for the construction of medium ports and berths for vessels of medium and small tonnage; the inlets in the north, south and on the west coast with depths of more than 10 meters, wide harbor basins and long coastlines are suitable for the construction of large ports and berths for large-tonnage vessels. The difference in the suitability of east and west harbors corresponds to the economic outlay of Hainan Island. According to the mineral resources and energy resources, Wenchang and Qinglan on the eastern part of Hainan Island must play superior roles as places from which large numbers of overseas Chinese originate and where large amounts of tropical crops are grown. The development of tropical cash crops, fishery products and certain branches of light industry and of the food industry would therefore be special traits of economic development corresponding to the harbor conditions of the east coast. In the western, northern and southern parts of the island, there are three economic regions, namely Haikou, Sanya and Basuo, which along the coast have resources of petroleum, iron ore, titanium, construction materials, forestry and marine salt, and also abundant tropical plant resources. These areas are suitable for the development of such heavy industries as petrochemical, iron and steel and mining industries and also certain electronic and light industries. This economic distribution has created the need for large-scale transportation of commodities and correspondingly requires the building of large-scale sea ports and large and medium-sized berths.

Based on the above analysis, the construction of sea ports on Hainan, regardless of natural conditions or the needs arising from regional economic developments, must be effected in a coordinated construction of large, medium and small ports to form one system with coordinated functions.

(5) The study of the problem of joining and linking the communications and transportation networks of Hainan and of the mainland of China must be taken in hand.

As we are presently in the midst of a new technological revolution, it is necessary to study as soon as possible how to

use modern technologies to solve the problems of transportation between Hainan and the mainland. At present the communications links in use are airlines and ocean shipping. However, in the wake of our country's economic development and the construction of Hainan Island, it is no more adequate to rely only on the methods that are presently being used. We must develop new transportation methods to solve the problem of joining and linking the transportation networks of Hainan and the mainland. Some mature experiences have already been made in the world in solving the problem of establishing transportation links between the mainland and offshore islands. Especially those experiences of linking the railway networks on a continent with that of an island by means of railway ferries across the sea or tunnels on the bottom of the sea are worth our serious study. On the basis of studying and comparing a variety of plans, we should select the plan that is most consistent with the developments of modern science and technology, which should then be carried out by the end of this century.

(6) Drawing a lesson from 30-odd years of experience in our country's harbor construction, the construction of the harbors of Hainan Island must aim at the creation of a comprehensive capacity.

A harbor is a complex composite entity which in itself is a system. It is composed of such distribution and transportation systems as wharves, berths, loading and unloading machinery, warehouse equipment and logistics. Only with the mutual cooperation of various subsystems that are consistent with the demands of the general purpose of the harbor, namely of cargo handling, can the harbor play its due role. In the past 30-odd years, harbor construction in our country has achieved great successes. However, we can also draw many lessons from our past experiences, such as the lack of simultaneous coordination of the various components and organization of the various subsystems, causing internal structural dislocation and mutual mismanagement in the internal operations of certain harbors, such that it became impossible to form a comprehensive capacity, resulting in large areas of waste. In the new harbor construction, the renovation of old harbors on Hainan Island and the buildup of a harbor systems, we must start out from the system of the port transportation and production processes, we must establish a balance throughout the entire entity, carry out simultaneous construction and form a comprehensive port capacity. This is the only way in which the economic results of harbor construction on Hainan Island can be raised.

Summing up the above remarks, we see that harbor construction and development on Hainan will have a bearing on the development of communications and transportation on Hainan and will have a bearing on the important problem of the economic development of Hainan Island, and that it is also an important question with many effects, with involvements in many areas with a very complex structure. To solve so complex a problem, it would not do justice to the demands of the task if we were to use the general traditional study methods of the past. We must use the theories and methods of system science (including systems theory, cybernetics, information theory, the theory of operations, as well as the use of electronic computers) in the study of our plans, select the best construction plan, to speed up the reconstruction of communications on Hainan Island. Finally, the tentative analyses provided in this article have been compiled by me on the basis of the recent investigation; their shortcomings are due to my insufficient knowledge of Hainan Island and due to my personal limitations. I hope you will correct whatever mistakes there are in the above.

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CS0: 4006/74



## TRANSPORTATION

### CONTAINERIZED TRANSPORT VEHICLES

Beijing QICHE GONGCHENG [AUTOMOTIVE ENGINEERING] in Chinese No 1, 15 Feb 84 pp 42-45, 41

[Article by Shen Zhihuang [3088 1807 3552]: "Containerized Transport and Its Tractor-trailers"]

[Text] Abstract: The first part of this article states that containerized transport speeds up vehicle round trips and reduces freight damage and loss. Then the article gives statistics showing the volumes of international standards [IC] containers and the actual load-carrying capacity and weight of 20-foot IC containers and also the volume and weight ratios of the carriages of domestic vehicles. The article recommends that the proper volume-weight ratio for a domestic container be 3.5 cubic meters per ton.

The author of the article proposes two kinds of containers for inland highway transport.

He recommends two kinds of vehicles for carrying 20-foot containers: one is a 4 x 2 tractor with a single-axle semitrailer and an axle load of 10 tons. The total weight of a tractor-trailer is 26 tons and can carry 15-17 tons. The other is a 4 x 2 tractor with a 2-axle semitrailer with an axle load of 7 tons; the total weight of this tractor-trailer is 24 tons and can carry 15-16 tons. The prototype of the tractor that is rebuilt on the base of an existing truck (EQ 140) is now being road-tested.

Containerized transport is one of the significant reforms in transport engineering. It is a highly efficient transport method that speeds up the round trips of the vehicles, insures the quality of transport service and reduces costs. Our current inland automobile transport still suffers from low efficiency and poor service. One of the methods for changing this backward situation is firmly to accept containerized transport.



We can take Shanghai as an example. If we compare containerized transport using a 5-ton vehicle with a bulk freight transport using the same kind of vehicle, 1 containerized vehicle shift can do 4.38 round trips and 1 vehicle shift of bulk transport can do 3.68 round trips; the efficiency is increased by 14 percent. The average vehicle-shift capacity of containerized transport is 52 tons and of the bulk transport is 38 tons, a 37 percent increase. Incomplete statistics show that bulk freight transport has a 1-3 percent loss of cargo and containerized transport has a loss of only 0.2-1 percent. That means that containerized transport not only increases efficiency but also provides better service. Therefore, we must vigorously develop containerized transport and consider this our strategic method for modernizing our transport.

Motor vehicle container transport can be divided into two parts: the continuing inland highway transport of foreign containers and the inland highway transport of domestic containers. The current main problem with the transport of foreign containers in our country is the trouble resulting from road conditions and the shortage of proper domestic vehicles. The problem in developing inland containerized transport is how to choose the optimal types of containers and also the proper vehicles.

## I

If we look at the process of the movement of cargo, we can see that motor vehicle transport always starts and ends the process. In other words, whenever cargo moves, it is mostly moved by motor vehicles to trunk lines of communication and finally moved again by motor vehicles from trunk lines to consumers. Therefore, in choosing containers for inland transport the first point to be considered is the condition of motor vehicle transport. The same consideration is required of international containers, that is, their weights and overall sizes depend on road conditions and on the weights and sizes of the vehicles. So we probably can say that if containerized transport by motor vehicles is not developed, then the use of containerized transport for the whole movement of cargo cannot be developed.

Table 1 shows the sizes and the volume-weight ratios of two series of containers, ISO and GB1413-78. Containers 1E and 1F in series ISO went out of service in June 1978. From Table 1 we can see that the volume-weight ratio of international containers is between 1.57-2.40 cubic meters per ton. The volume-weight ratios of domestic containers are between 2.20-2.40 cubic meters per ton.

Table 2 shows the statistics of the average cargo weights and total weights of 20-foot containers. The statistics were gathered by a Shanghai institution. According to the ISO data, the general weight of a 20-foot container is 20 tons, but its actual weight is 14.2 tons. Obviously, the volume-weight ratio of the current containers is lower. If domestic containers are designed in accordance with international containers, it will be very disadvantageous for containerized transport on our inland highways.

Table 1: Specification and Volume-weight Ratios of Containers

ISO (1) 系列	GB1413-78 (1) 系列	重量(2) 吨(3)	长 英尺(5)	宽(4) (6) (7) 长	外形尺寸 毫米	高 (8) 宽 (9) 高	容 (10) 立方米(11)	比 (12) 立方米/吨
1 AA	1 AA	30	40	12191	2438	2591	64.8	2.40
1 A		30	40	12191	2438	2438	60.5	2.24
1 CC	1 CC	20	20	6058	2438	2591	31.3	1.73
1 C		20	20	6058	2438	2438	29.0	1.61
	10 D	10	40	4012	2438	2438	20.4	2.20
1 D		10	10	2991	2438	2438	14.1	1.57
1 E		7	20	1968	2438	2438	9.0	1.50
	5 D	5	20	1968	2438	2438	9.6	2.29
1 F		5	10	1400	2438	2438	6.6	1.60

注: 10D 箱容积和比容系估算值

Note: The volume of the 10D container and of its volume-weight ratios is estimated.

Key:

- |                 |   |
|-----------------|---|
| 1. Series       | 7. Length                                   |
| 2. Weight       | 8. Width                                    |
| 3. Ton          | 9. Height                                   |
| 4. Length       | 10. Volume                                  |
| 5. Foot         | 11. (m <sup>3</sup> )                       |
| 6. Overall size | 12. Volume-weight ratio m <sup>3</sup> /ton |

Table 2: Average Weights of Cargo of 20-foot Containers and Their Total Weights

(1) 项目		平均每箱重量			平均每箱总重		
(2) 合计		(3) 10吨以下	10~13吨(4)	13吨以上(5)	12吨以下(6)	12~15吨(7)	15吨以上(8)
(9) 进口	52,366	25,829	6,343	20,194	25,829	6,343	20,194
(10) 出口	77,225	59,921	6,655	10,649	59,921	6,655	10,649
(11) 总计	129,591	85,750	12,998	30,843	85,750	12,998	30,843
(12) 比例	100%	66.17%	10.03%	23.80%	66.17%	10.03%	23.80%

(13) 平均吨位 =  $(12 \times 66.17 + 15 \times 10.03 + 20 \times 23.80) / 100 = 14.2$ 吨(14)

- |                  |                     |
|------------------|---------------------|
| Key: 1. Items    | 8. Over 15 tons     |
| 2. Categories    | 9. Import           |
| 3. Under 10 tons | 10. Export          |
| 4. 10 to 13 tons | 11. Total           |
| 5. Over 13 tons  | 12. Ratio           |
| 6. Under 12 tons | 13. Average tonnage |
| 7. 12 to 15 tons | 14. Tons            |

Below are some other facts to clarify the situation:

1. The volume of the loading bed of an existing domestic truck can be estimated by the dimensions of the loading bed times the loading height. The heights of manually loaded cargo are 1,700 mm for 4-5 ton trucks and 1,500 mm for two 2.5-ton trucks. Table 3 below gives the volume and weight ratios of the carriages of existing domestic trucks. The volume-weight ratios are from 3.16 to 3.98 cubic meters per ton.

Table 3: Volume-weight Ratios of Domestic Trucks

(1) 车型	(2) 载重 (吨)	(3) 车厢底面尺寸(毫米)		(6) 货物装载高度 (毫米)(mm)	(7) 容积 (立方米)(8)	(9) 比容 (立方米/吨)(10)	(11) 备注	
		长(4)	宽(5)					
CA10B	4	3540	2250	1700	13.54	3.39	人工装卸	(12)
EQ140	5	4052	2294	1700	15.80	3.16	人工装卸	(12)
NJ130	2.5	2880	2140	1500	9.24	3.70	人工装卸	(12)
BJ130	2	3000	1770	1500	7.97	3.98	人工装卸	(12)
SH130	2	2950	1650	1500	7.30	3.65	人工装卸	(12)
SH142	4	3950	2240	1700	15.04	3.76	人工装卸	(12)

Key: 1. Type of truck 7. Volume  
 2. Loading weight (t) 8. (m<sup>3</sup>)  
 3. Dimensions of truck bed 9. Volume-weight ratio  
 4. Length 10. (m<sup>3</sup>/t)  
 5. Width 11. Remarks  
 6. Loading height 12. Manual loading

2. In Shanghai, highway bulk cargo transport uses trucks with 27 cubic meters per ton of bed volume and a capacity of 8 tons. Although the volume and weight ratio is 3.38 cubic meters per ton, the trucks are sometimes not fully loaded.

3. Some experienced persons from the Shanghai transportation organizations recalled that before the liberation of the country, loading each ton of cargo required a truck of roughly 3 bed feet in length, or 914 mm, and that at that time the inner width of a truck bed was 2,250 mm, the height of manually loaded cargo was 1,700 mm and the estimated volume and weight ratio was 3.50 cubic meters per ton. This volume and weight ratio was suitable for transporting the majority of bulk cargo, except for light cargo.

Therefore, in developing inland highway containerized transport today the volume and weight ratio of containers should be approximately 3.5 cubic meters per ton. This kind of container will provide optimal economic efficiency. Considering this fact, we propose the following two alternatives for designing domestic containers for inland highway transport:

The first alternative: to accept ISO standards and use IC containers as 10-ton containers for domestic transport. The volume and weight ratio will be 3.22 cubic meters per ton; to use ID container as 5 ton container for domestic transport, its volume and weight ratio will be 2.14 cubic meters per ton.

The second alternative: to design a 2-ton unit container which can be loaded alone or in multiple units (two pieces, three pieces, etc.). The recommended overall dimensions of the containers could be:

2,500 mm long -- similar to the bed width of trucks with a capacity of 4 tons or more.

1,850 mm wide -- similar to the bed width of 2-ton trucks (BJ-130).

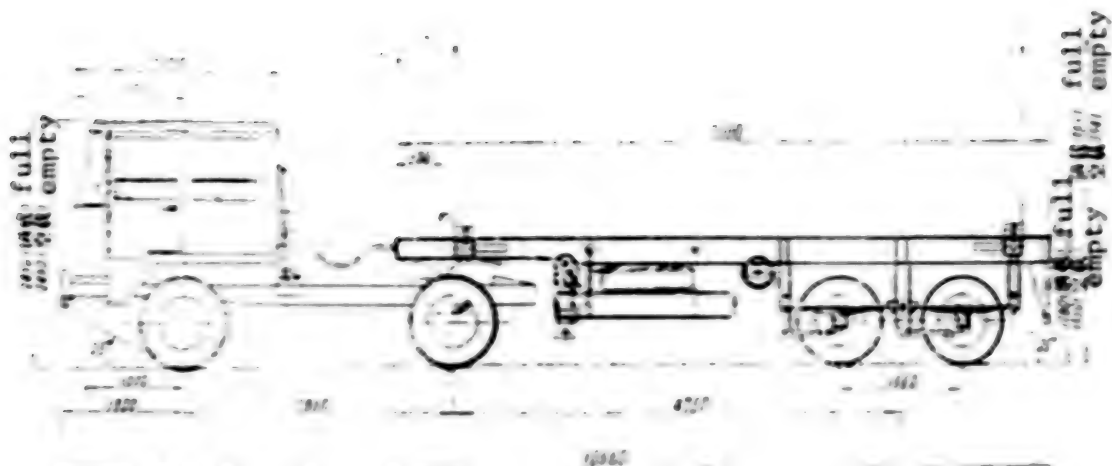
2,100 mm high -- this size is selected because the height of a manually loaded container runs from 1,800 to 1,850 mm.

The minimum volume and weight ratio of the recommended kind of unit container can be 3.40 cubic meters per ton. If in the future transport will accept this recommended size of container, the BJ-130 vehicle can carry one container, the CA10B can carry two containers and the CA10B with a semitrailer can carry four and the EQ-140 truck with a semitrailer can carry five containers.

Both above-recommended containers have their positive and negative sides. The size of the container recommended in the first alternative is close to the standard ISO, but it requires a loading machine of high quality. This is especially important when the truck must make many deliveries at widely separated locations that will have to be provided with powerful loading mechanisms. At present, this is hard to provide. The positive side for the containers recommended in the second alternative is that each container has a greater volume and weight ratio; this is suitable for a greater variety of cargo and can also more easily match existing loading mechanisms. These aspects are favorable for developing our inland highway transport.

## II

In developing trucks for containerized transport, the main purpose is to develop two kinds of specialized truck-trailers for 20- and 40-foot containers. This kind of truck-trailer is usually designed as a saddle-shaped tractor with semitrailer. This is the optimal type for specialized container tractor-semitrailer.



In designing special vehicles for containerized transport, we consider the following questions:

1. **Loading Capacity Determination:** according to ISO and GB143-78 data, the total weight of a 20-foot container is 20 tons and of a 40-foot container 30 tons. However, in practice, the average total weight of a 20-foot container is from 14 to 15 tons and of a 40-foot container about 24 tons. The question in designing specialized tractor-trailers is whether we have to accept the weights prescribed in ISO and GB143-87 data, or whether we can accept the average total weights determined in practical use. From Table 3 we can see that 76.20 percent of the 20-foot containers each have a total weight of under 15 tons and 23.80 percent each have a total weight of above 15 tons (if export containers are referred to, 86.21 percent are under 15 tons and 13.78 percent are above 15 tons). Shanghai transport practice in recent years shows that 20-foot containers were carried mostly on trailers with a load capacity of 15 tons and this has not caused any problem. Another fact is that the load capacity of imported specialized trailers for 40-foot containers is marked 24 tons, not 30 tons. Therefore, our opinion is that the designed load capacity of specialized trailers for containers should be 15 tons for 20-foot containers and 24 tons for 40-foot containers; these figures are quite practical and also economically optimal.
2. **Driving Type of Saddle-shape Tractor:** the best shape of a tractor is 4 x 2. The distance between the frame of a 4 x 2 tractor and the ground is at least 120 mm shorter than the similar distance of a 6 x 4 tractor. This shorter distance is a favorable factor in designing trailers of containerized transport.
3. **The Axle Load of a Tractor:** this depends on the bearing capacity of highways and of bridges in our country. It is best if the axle load is not over 10 tons. The load on both axles will be 2 x 10, which can increase the whole allowable weight of a designed vehicle.



4. Necessity of Designing Trailer with Capacity of One 40-foot LAA Container and with Two 20-foot ICC Containers: our answer is negative. The reason is that for these two kinds of containers it will be very difficult to define the load capacity of each vehicle. If we design the load capacity according to two 20-foot containers, then when the trailer is loaded with one 40-foot container, the vehicle will be underloaded, and the service will be uneconomical. Another problem is that the currently designed semitrailer of 40-foot LAA containers has a step on the part joining the tractor. This step-shaped trailer was designed in order to lower the load height of the containers. It can contain one 40-foot container in a lower position in the trailer. However, this kind of trailer cannot carry two pieces of 20-foot ICC containers.

A Shanghai foreign trade institution has estimated that the total size of international containers to be used in China in 1985 will be from 100,000 to 120,000 TEU [20-foot equivalent units]. Among them the ratio between LAA and ICC containers is approximately 1 to 4. So our current task is to develop a specialized tractor for 20-foot containers. We have proposed above two alternatives (see Table 4).

Table 4

(1) 方案	牵引车 (2) 型式	轴负荷 (3) (吨)(t)	牵引车总重 (4) (吨)(t)	牵引车自重 (5) (吨)(t)	挂车式 (6)	列车总重 (7) (吨)(t)	列车载重 (8) (吨)(t)
(I)	4×2	10	16	8.5	单轴 (9)	26	15~17
(II)	4×2	7	10	5.5	双轴 (10)	24	15~16

Key:

- |                            |  |
|----------------------------|--|
| 1. Alternative             | 6. Type of trailer                           |
| 2. Type of tractor         | 7. Total weight of tractor-trailer           |
| 3. Axle load               | 8. Load-carrying capacity of tractor-trailer |
| 4. Total weight of tractor | 9. Single axle                               |
| 5. Load of carriage        | 10. Double axle                              |

The tractor indicated in alternative 1 uses 11.00-20 size tires, and the distance between its carriage and the ground is 1,279 mm. The tractor indicated in alternative 2 uses 2.00-20 size tires and the distance between its carriage and the ground is 1,200 mm. According to the standard GB1598-79 for the overall size of tractors, the maximum height of a trailer is 4,000 mm. The height of a ICC container is 2,591 mm. This requires that in designing tractors the distance between the frame of the semitrailer and the ground should not be higher than 1,409 mm. Obviously, the frame height of a semitrailer depends on the height of the carriage. So in comparing the two heights of the carriages, one can see that alternative 2 is more satisfactory for design requirements.



Another reason why alternative 2 is superior is that alternative 1 requires a better quality of highway (15th automotive rank level) and alternative 2 requires a comparatively lower quality of road (10th automotive rank level).

Therefore, we have chosen alternative 2 in our design. The design data are:



- |   |                              |
|---|------------------------------|
| 1. Total weight of tractor and trailer: | 22,500 kg                    |
| 2. Loading capacity:                    | 15,000 kg                    |
| 3. Carriage load:                       | 5,500 kg                     |
| 4. Maximum speed of vehicle:            | 70 km/h                      |
| 5. Grade capacity:                      | 20%                          |
| 6. Power ratio:                         | 6-8 hp/tons                  |
| 7. Braking ability:                     | According to state standards |

The sketch shows the structure of a specialized vehicle for 20-foot containers. The chassis of the tractor is rebuilt on the base of a DONG FENG EQ-140 truck. Its driver's cab has a flat front and two lines of seats, and its power-hour ratio is 6 hp/ton-hour. For this kind of tractor, a 96100 gas engine can be used. Its rear transmission ratio has been readjusted to 8.274. A 6105 gas engine with a proper transmission can be also substituted for this tractor. The semitrailer with two axles has been completely redesigned. On the two axles, trailer short-balanced beams are used; these are joined with spring plates. This two-axle suspension has three supporting points, which better share the load weight and also allow a reduction of weight in the trailer itself. This kind of suspension has better stability in the crosswise direction and the trailer works more stably with containers with a higher center of gravity. The suspension can be easily developed in three-axle suspension systems and gives an example for the future design of trailers for 40-foot containers.

The prototype of the specialized tractor-trailer for 20-foot containers has been finished and is now being service-tested.

12715

CSO: 4006/409

## TRANSPORTATION

### STATE COUNCIL APPROVES GUANGXI PORT DEVELOPMENT

OW061445 Beijing XINHUA Domestic Service in Chinese 0832 GMT 6 Dec 84

[Text] Beijing, 6 Dec (XINHUA)--The State Council on 27 November replied to the "Report on the plan for developing Beihai City and building Fangcheng harbor" submitted by the Guangxi Zhuang Autonomous Regional People's Government. The main points of the reply follow:

1. Because the further opening of Beihai City (including its Fangcheng Harbor) to the outside world is of great significance to accelerating economic development in Guangxi and in the vast southwest as well as to strengthening unity among the various nationalities, the State Council has decided to give special policy support to this plan.

From 1984 to 1987 a 15-percent-reduced income tax will be collected from enterprises during the period of validity of contracts concerning Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and wholly foreign-financed enterprises signed between Beihai City and foreign businessmen, compatriots in Hong Kong and Macao, and overseas Chinese. The Beihai City government will be authorized to decide whether to reduce or exempt local income tax. If a foreign businessman investing in an enterprise wishes to remit out of China his profit left after having paid income tax, the remitted money will be exempted from income tax.

All equipment, machinery, and other construction materials imported before 1990 for the construction of basic facilities within the bounds of Beihai City will be exempted from import duty, product tax, and value-added tax. A 50-percent-reduced import duty, product tax, and value-added tax will be collected on a trial basis on consumer goods and other market commodities imported by Beihai City from 1985 to 1987, provided they do not exceed the limits set by the state each year and are not commodities banned by the state.

2. In opening to the outside world, Beihai City should proceed from reality. For its immediate interests, it should concentrate on the construction of such basic facilities as means of transport, communications, and guesthouses for tourists in order to create the necessary conditions for utilizing foreign capital and bringing in advanced technology.

3. Beihai City may set up economic and trading missions in Hong Kong and establish a technology import company.

4. To meet the needs of further opening to the outside world, the Guangxi Zhuang Autonomous Regional People's Government should effectively assist the city in deploying and training cadres and hiring working personnel.

Beihai City is the most convenient shipping port linking Guangxi and other provinces in southwest China with foreign countries; it is the only coastal open port for China's five minority autonomous regions. To achieve the abovementioned objectives, the State Council urges Beihai City to conscientiously do its work well, gradually improve the investment environment, raise economic results, and to strive to create a new situation for economic and technical exchange and cooperation with foreign countries. The State Council also calls on departments concerned to actively support the city's development and its opening to the outside world and to conscientiously help it solve problems encountered in the course of economic development.

CSO: 4006/143

## TRANSPORTATION

### BRIEFS

**FORUM ON ROAD TRANSPORT**--The Ministry of Communications held a national forum in Meishan County from 1 to 5 December to discuss questions of developing road communications. Representatives of the provincial communications department and of Meishan County spoke on this topic. The participants visited the sites of road widening and improvement work in the county. Wang Zhanyi, vice minister of communications, and Gu Jinchi, vice governor of Sichuan, attended and spoke at the forum. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 5 Dec 84]

**RAILWAY DEPARTMENT'S SERVICE PRAISED**--For the first time in its history, Ciyutuo has railway transport service. In late September this year, the Shenyang station of the Shenyang Railway Subbureau set up an express delivery center and a booking office at the Ciyutuo Country Fair in Liaozhong County in order to provide conveniences for traders and buyers. Guo Feng, first secretary of the provincial CPC Committee, praised the railway department for having done such a good thing which benefits the country and provides convenience for the people. [Excerpt] [Shenyang LIAONING RIBAO in Chinese 17 Nov 84 p 1]

**URUMQI STATION INAUGURAL CEREMONY**--The inaugural ceremony to mark the completion of the main building of the Urumqi South Railroad Station was solemnly held at the Urumqi South Railroad Station this morning. Attending the ceremony were leaders of the regional party and government and the Urumqi PLA units, including Wang Enmao, Xiao Quanfu, Tan Shanhe, Tomur Dawamat, and Tuohuti Shabier. Comrade Wang Enmao cut the ribbon. This main waiting building consists of two storeys and a total building area of some 9,600 square meters. It can accommodate some 3,000 passengers at the same time. The big characters, Urumqi City, installed on the top of the big building were written by Comrade Guo Moruo in 1965. In the building there are 12 ticket windows for different routes. When passengers buy tickets, they will no longer have to form a long queue. Now, passengers can directly go to the platforms from the large waiting hall through tunnels and overhead bridges. The waiting building also has facilities, including nurseries, baby beds, long-distance passengers' rest rooms, boiling water supply points, and snack departments. (Zhang Shiwu), director of the Passenger Transport Office, declared that they will create first-class service levels and will really run the waiting room as a home for the passengers. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 5 Dec 84]

FUZHOU-XIAMEN FREEWAY--With the concurrence of the Fujian provincial CPC committee and the provincial government, the early-stage study on the feasibility of building the proposed Fuzhou-Xiamen freeway has begun recently. In the meantime, the office of the leading group has also started business. The Fuzhou-Xiamen freeway is one of the important capital construction projects in communications being planned in Fujian Province. It has received the vigorous support of the China Highway and Bridge Construction Company and the Institute of Highway Planning and Design under the Ministry of Communications and other units, according to FUJIAN RIBAO correspondent Zhu Guoqin [2612 0948 2953] [Text] [Fuzhou FUJIAN RIBAO in Chinese 19 Sep 84 p 4] 12662

CSO: 4006/47

HONG KONG FIRM PROVIDING MANAGEMENT TRAINING TO PRC

HK290429 Hong Kong SOUTH CHINA MORNING POST in English 29 Nov 84 p 14

[Article by Terry Cheng]

[Text] Hong Kong management specialists are being enlisted to help train China's "frontline" managers and administrators in international trade.

ACL Consultants Ltd, a Hong Kong-based company which has an information network in China, signed a contract last month to run a business management inservice training programme for China.

The China Guangdong Consultative Centre of Talent Development is the Chinese partner in the project.

The programme will run for four months in Shenzhen and participants are senior Chinese executives working in foreign trade related departments and corporations.

Most of the participants are from Guangdong Province, although some come from as far as Peking and Tianjin.

They are between 35 and 45, with the majority having between 15 to 20 years of working experience. Most have had tertiary education and worked as managers or administrators in international trade.

A team of 40 lecturers will travel to Shenzhen to run the course, which begins on Saturday.

The lecture team comprises specialists in their fields.

Mr Anthony Leung, vice-president of Citibank, will talk about foreign exchange under the financing module.

Dr K. D. Tse, assistant general manager (human resources and administration) of Shui On, will talk about quality circles in the development of human resources.

Dr Victor Fung, group managing director of Li and Fung, will lecture on business policies and business management skills.



Mr Martin Lee, QC, will lecture on aspects of the law.

Dr Y. K. Fan, professor, Department of Business and Economics of University of Wisconsin at Stevens Point, will lecture on the economics of manpower training. He will also give a talk on technology transfer.

The opening ceremony at the Shenzhen Municipal College of Finance and Economics is expected to be attended by leading officials of the Hong Kong branch of the New China News Agency, including Mr Xu Jiatun.

Leading officials from the Guangdong provincial government and the Shenzhen administration will also attend the function.

The theme of the whole course is the concept of openness--to new ideas and new methods.

The main thrust of all lectures will be on sharing practical experience in the field, after providing a theoretical framework of reference.

Another unique feature of the course is the formation of an orientation team whose work centred on needs analysis and expectations from the course of both lecturers and participants. This team acts as a bridge for the learners and the teachers.

Both ACL Consultants Ltd and the China Guangdong Consultative Centre of Talent Development envisage that this programme will form a basis for future training programmes in areas such as the hotel and tourist industry and public administration.

CSO: 4020/45

TA KUNG PAO ON PROSPECTS FOR JOINT VENTURES IN PRC

HK150536 Hong Kong TA KUNG PAO in Chinese 14 Nov 84 p 2

["Special Feature" article by Chi Chung-wei (1323 1504 1218): "Experiences and Prospects of Chinese Joint Ventures With Foreign Companies"]

[Text] 1. Rapid Development of Chinese Joint Ventures With Foreign Companies

Five years have passed since the announcement and implementation of the "Law on the Management of Chinese Joint Ventures With Foreign Companies" on 8 July 1979. Over the past 5 years, China has made gratifying progress and achieved excellent economic results in introducing direct foreign investment and running joint ventures. By the end of June this year, with the approval of the Chinese side, 362 joint ventures with foreign companies were established, with direct foreign investment of \$500 million, thus initially opening up new prospects.

Over the past 5 years, under the principle of "active and safe management and proceeding in an orderly way and step by step," Chinese joint ventures with foreign companies have increased in number, expanded from small to large, and developed from the elementary level to the advanced level. Their development can be divided into two stages: The first stage was from the establishment in May 1980 of China's first joint venture with a foreign company--the Beijing Aviation Food Company Limited--to the end of 1982. In those 2 and 1/2 years, 83 joint ventures were established on an experimental or preliminary basis. The second stage was from January 1983 up to the present, during which new prospects were opened up for formally running joint venture enterprises. Statistics reveal that in 1983 alone, China approved the establishment of 107 joint ventures, a 29 percent increase over the total number in the previous 2 and 1/2 years. Joint ventures have developed at even a faster rate since the beginning of this year. From January to June this year, 172 joint ventures were established, almost equal to the total number in the previous 3 and 1/2 years.

Through the common effort of China and foreign businessmen, of the joint ventures which have been established, some 100 enterprises have begun operations or production and have achieved fair economic results.

## 2. How Have China and Foreign Businessmen Gained From Running Joint Ventures?

Over the past 5 years, China and foreign businessmen have gained much from running joint ventures. The Chinese side has obtained the following: 1) It has made up for the shortage of construction funds by using foreign investment. 2) It has introduced some advanced technology to fill technological gaps, to promote technical reform in enterprises, and to upgrade and renew products. 3) It has learned scientific management of enterprises from foreign countries and further improved the management of some enterprises. 4) It has improved the competitiveness of some export products and increased foreign exchange income. 5) It has trained technical and managerial personnel. 6) It has provided more favorable conditions for employment. Foreign investors have obtained the following: 1) They have utilized some of China's natural resources. 2) They have the advantage of using China's cheap labor force. 3) Some of their products have entered the Chinese market. 4) They have gained excellent profits.

Over the past 4 years, Chinese joint ventures with foreign companies have achieved good results because governments at all levels and the enterprises concerned have conscientiously implemented the open-door foreign policy and the "Law on the Management of Chinese Joint Ventures With Foreign Companies" and because China and the foreign investors have made concerted efforts under the principle of equality, mutual benefit, and cooperation. Through running joint venture enterprises, China and the foreign investors have not only obtained economic interests, but also promoted mutual understanding and friendly relations. This plays an important role in and has far-reaching influences on further developing economic and technological cooperation between China and foreign countries.

## 3. Experiences and Lessons and How To Improve

For us, running joint ventures is a new thing. Following the profound development of these enterprises, we have gradually gained some knowledge and experience. Practice over the past 5 years tells us that to run joint ventures well, it is necessary to do a good job in the following aspects:

1. We must make a good choice of persons or companies to cooperate with. This is an important condition for running joint ventures well.
2. We must do a good job in studying the feasibility of the projects to be cooperated in. This is a prerequisite for running joint ventures well. A small number of joint ventures have met with many problems and consequences arising from a lack of careful and sufficient study of the projects' feasibility.
3. We must absorb and digest in good time the technology we have introduced from foreign countries. Introducing advanced technology is one of the important purposes of running joint ventures. Following the constant improvement of the technology introduced by joint ventures, absorbing and digesting new technology in good time has become our urgent task. In the

past, some joint ventures did not pay enough attention to or did not have effective methods for absorbing and digesting new technology. As a result, technical progress and the production of new products were affected.

4. It is necessary to seriously discuss and sign joint venture contracts. In implementing contracts, both sides should trust and cooperate with each other. Contracts are important bases for long-term Sino-foreign cooperation. If contracts are not handled well, consequences will arise. In the past, terms and conditions of some contracts were not strict and did not have enough binding force on both sides; some terms and conditions were not specific enough so it was difficult to implement them; and sometimes disputes occurred due to the inappropriate wording of some terms and conditions. These lessons merit serious attention. It is necessary to stipulate terms and conditions of contracts appropriately and in detail. What is more important is that both sides should trust and cooperate with each other, patiently discuss methods for solving problems, and seek common ground on major issues while reserving differences on minor ones so as to ensure better cooperation between both sides.

5. It is necessary to seriously study foreign scientific administration and management and to combine it with China's specific conditions for the purpose of establishing a modernized enterprise management system which combines Chinese and foreign methods. Over the past few years, most of the joint ventures have done well in this respect. They have worked to make up each other's deficiencies, to constantly improve management, and to raise economic results. However, some joint ventures have not done well enough because they still adhere to the old management originally adopted by China and lack the spirit of reform. As a result, they have not taken on a new look and their economic results are still low. Joint ventures established in the future should do their best to adopt joint management by both sides, to boldly carry out reforms, and to use new and scientific management methods.

Although joint ventures have scored great successes over the past few years, many problems remain to be solved. For example, some of the current management methods are not suited to joint ventures; some legal provisions are not perfect; some policies are not explicit and concrete; some policies on the joint ventures' domestic sales and foreign exchange balance have yet to be solved and put into effect; and some departments in charge still exercise multiheaded leadership with low efficiency due to complicated procedures and sluggishness in work. The departments concerned of the Chinese Government are working out measures to solve these problems and are determined to help run the existing joint ventures well. We believe that following the constant perfecting of legislation and policies and the constant improvement of the investment environment provided by China to foreign investors, the conditions for running large Sino-foreign joint ventures will mature.

In the past, some persons in the Western world doubted the possibility of running joint ventures in a socialist country on the basis of cooperation with capitalist enterprises. The rapid and healthy development of Sino-foreign joint venture enterprises over the past few years has proved that such an economic cooperative form has powerful vitality and bright prospects.

PRC AIMS FOR \$30 BILLION IN FOREIGN FUNDS FOR 7TH 5-YEAR PLAN

HK160427 Hong Kong SOUTH CHINA MORNING POST in English 16 Nov 84 Business News Supplement p 3

[Text] China plans to absorb US\$30 billion of foreign funds in its Seventh Five-Year Plan, which begins in 1986, according to the deputy minister of foreign economic relations and trade, Mr Wei Yuming.

He said the funds would come from government loans and direct foreign investment in joint ventures, foreign enterprises or compensation trade.

Of the \$30 billion, he estimated that \$5 to \$7 billion would be from direct foreign investment.

He said upgrading the technology of China's backward industrial enterprises would be focused in the Seventh Five-Year Plan.

Mr Wei is in Hong Kong with a 150-member delegation to attend an investment symposium on China's 14 coastal cities and four special economic zones.

Mr Wei said that between 1979 and the middle of this year China had absorbed about \$8 billion of foreign investment in 2,900 projects.

The figure includes 362 joint ventures worth more than \$500 million, 1,372 co-operative ventures with an investment of \$3.5 billion, 31 offshore oil ventures worth \$2.4 billion and 1,137 compensation agreement deals involving \$800 million.

CSO: 4020/45



GUANGXI'S WEI CHUNSHU ON REGION'S ECONOMIC DEVELOPMENT PLANS

HK140350 Hong Kong WEN WEI PO in Chinese 10 Nov 84 p 17

[Report compiled by Li Chao [6849 6389]: "Guangxi People's Government Chairman Wei Chunshu Says Guangxi Will Open Up to the World Still More, Import Technology, Enliven Its Economy"]

[Text] Before the technology study group of the Guangxi Zhuang Autonomous Region left for Hong Kong, Wei Chunshu, chairman of the regional people's government, listened to the report by the group leader Pan Gu and made a speech on opening up to the outside world, importing technology, and enlivening the economy.

Chairman Wei Chunshu said: The decision on reforming our economic system adopted by the 12th CPC Central Committee at its third plenary session, which has just concluded, is a programmatic document that guides overall reform of the economic structure in our country. We should seriously study this document and take concrete steps to put it into practice and to further emancipate our minds. In order to quicken the pace of the development of Guangxi's economy, we have adopted some policies and measures for opening up to the outside world. Henceforth we will open our door even wider. Apart from Beihai city (including the Fancheng harbor), which will adopt more flexible policies, other cities will also actively adopt flexible open-door policies in the course of economic reform. For example, Guilin city has ample potential resources for the development of tourism, and this will attract large quantities of foreign investment and advanced technology to speed up the construction of a tourist resort that measures up to international levels. All in all we must have great determination and high courage in this regard, and should do away with all unnecessary misgivings and controversy. So long as we resolutely follow the policies laid down by the central leadership, no trouble will arise in our reform. The ever-improving situation in the countryside since the 3d Plenary Session of the 11th CPC Central Committee supplies the best proof of this.

Chairman Wei added: Guangxi has abundant resources and great potential advantages. So long as the open-door policy is flexibly and properly carried out, it will bring about marked economic results. The State Council has approved our plan to negotiate with foreign businessmen about the joint development of the waterpower resources along the Hong Shui River, including



building hydropower stations in Longtan and Datengxia. The ample electricity supply acquired from these projects can be used to develop the Pingliang aluminum mine. The rich product of this mine not only can be used to compensate for foreign investment, but can also yield a handsome profit on a long-term basis. In addition, the preferential arrangements will benefit both the Chinese and foreign partners in the joint venture. If this grand project is successfully accomplished, Guangxi will have a more solid material foundation for boosting its economy. Of course, as this project will require a large investment, we welcome more foreign investment suggestions and enquiries. Guangxi still has a large number of projects like this that require and welcome foreign investment, and they range from large-scale projects to medium or small-scale items. The scope for foreign economic cooperation in this region is wide, and there is a variety of forms for cooperation. We will actively provide all favorable conditions for joint ventures and cooperation projects. At present, the Nanning-Fangcheng railway project has entered the track-laying stage and is expected to be completed on schedule. The Beihai Airport project has been included in the state plan and soon will be started. The construction of the airport will be greatly favorable to the development of Beihai city.

With reference to economic cooperation projects and technological cooperation projects that are linked to trade, Wei Chunshu said that at present the key lies in the conclusion and fulfillment of various agreements. He said that a reform spirit is also necessary in negotiating cooperation agreements and that efforts should be made to reach agreement and to fulfill the agreements.

Chairman Wei Chunshu emphasized the importance of technological exchanges with foreign countries and emphatically pointed out that it is necessary to further solve the issue of respecting knowledge and people of learning. He said: Guangxi will warmly welcome intellectuals from Hong Kong and other countries who are willing to contribute to the region's modernization. They can come to Guangxi to make fact-finding visits, to give lectures and run schools, to carry out scientific and technological cooperation, or to make investment in enterprises that are engaged in technology-related trade. In the implementation of our policies toward intellectuals, we will boldly promote young and middle-aged people who have a reform spirit to key positions, and will provide better working and living conditions for scientific and technical personnel who have made great contributions. Leading cadres at all levels are required to actively discover, cherish, and highly value people of talent and to bring the role of these talented people into full play.

In conclusion, Wei Chunshu hoped that the study group would make many friends in Hong Kong. He also sincerely hoped that all Hong Kong and Macao compatriots, Overseas Chinese, and all patriotic personages who are enthusiastic for supporting Guangxi's construction will give the region their warm and hearty cooperation. He asked the study group to convey his regards to the old friends in Hong Kong who are concerned about Guangxi's development. He said that he plans to make a personal visit to Hong Kong early next year.

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